EXHIBIT 27

UNIVERSITY OF NOTRE DAME
OFFICE OF THE PRESIDENT
Rev. John I. Jenkins, C.S.C.
President

April 1, 2016

The Honorable Orrin G. Hatch
Chairman, Senate Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510-6200

The Honorable Kevin Brady
Chairman, House Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515-6348

The Honorable Peter J. Roskam
Chairman, House Committee on Ways and Means
Oversight Subcommittee
United States House of Representatives
1136 Longworth House Office Building
Washington, DC 20515-6348

Dear Chairmen Hatch, Brady and Roskam:

I appreciate your efforts to better understand the status and operation of our endowment which is crucial to sustain the current and long-term needs and aspirations of this University. As demonstrated below, our endowment plays a key role in helping to make a degree from Notre Dame an affordable and realistic possibility for all families, regardless of their financial resources. It is in this spirit that I submit the University of Notre Dame's response to the inquiries contained in your letter of February 8, 2016.

Since its founding in 1842, Notre Dame has been dedicated to its mission as a Catholic research university. In the words of our founder, Rev. Edward Sorin, C.S.C., we seek to be "one of the greatest forces for doing good in the world." An important component of our Catholic mission is to broaden educational opportunities for students across a full range of socioeconomic backgrounds. As one of just 62 colleges nationally that admit students regardless of their ability to pay, our admissions policy complements an undergraduate financial aid policy intended to meet the demonstrated financial need of every student.

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Because each student's background varies, we take an individualized approach to our financial partnership with students and their families. We provide the best possible packages of scholarships (more than half of which are funded directly by endowment), grants, loans and campus employment, and we award the most generous packages to those demonstrating the greatest need.

During fiscal 2015, 70% of undergraduate students received some form of financial aid and 49% of undergraduates received need-based scholarships, the median amount of which was $30,570. Moreover, during the same fiscal year, 226 undergraduate students received merit scholarships ranging from $10,000 to full cost of attendance. Further, the growth in scholarship aid at Notre Dame has mitigated student debt. For example, the average federal loan debt upon graduation is $22,125, which represents less than 10% of the four-year cost of attending Notre Dame.

Since the 1999-2000 academic year, we are proud to have met the full demonstrated need of every student desiring a Notre Dame education. Our commitment to the future is equally strong. Within our current capital campaign–which is the largest in the history of Catholic higher education–undergraduate scholarship support represents our largest target goal.

The University's endowment plays the most significant role in providing financial assistance to our students. Nearly 30% of Notre Dame's total endowment is restricted or designated for the *direct* support of student financial aid–that is, endowment spending generated by these funds (approximately $100 million in fiscal 2015) is awarded to students directly to offset the cost of tuition. However, endowment support for financial aid is not limited to that provided directly by these funds. The endowment also supports the University's general operating budget, from which an additional $150 million was used in fiscal 2015 for financial aid. Without endowment support for the general operating budget, the University would face even greater pressure on tuition. As a result of endowment growth, however, tuition constituted 34% of Notre Dame's revenue last year, compared to 44% a decade ago. Conversely, endowment pool spending in fiscal 2015 constituted 37% of the University's revenue, compared to 29% in fiscal 2005.

You have cited increasing tuition charges at American colleges and universities as a concern. I share your concern, but I am also encouraged by how our endowment has helped ameliorate it. The portion of undergraduate tuition offset by scholarship aid had grown from 23% in 2001 to 37% in 2015, with the result that undergraduate tuition remission in the form of scholarships has grown more than the aggregate tuition charged to undergraduates. In other words, growth in financial aid in the form of scholarships has outpaced growth in tuition charges. That has made a superb college education affordable for low and middle income families with students at Notre Dame. A well-managed endowment makes that possible now and for generations to come.

Notre Dame's endowment is a collection of more than 5,000 individual endowments restricted in various ways by their donors. The University diligently works to maintain the endowment's health in perpetuity while supporting various current activities. These activities include scholarships and other forms of financial aid, institutional research, academic programs, and faculty and staff salaries–all dedicated to maintaining a world-class institution serving the world's greatest needs and cultivating the minds and hearts of students in the Catholic tradition. As one example of our progress, Notre Dame has advanced from being unranked among national universities in 1990 to now ranking consistently among the top 20.

Our responses to the questions set forth in your letter are attached, and links are noted within the documents to provide greater detail and clarity around Notre Dame's policies and public disclosures of financial data. I trust that the insights garnered through this inquiry will broaden policymakers' understanding of the critical role our endowment plays in the financial health of the University and the enhancement of educational opportunities for current and future generations of Notre Dame students.

In Notre Dame,

Fr John Jenkins

Rev. John I. Jenkins, C.S.C.
President

Enclosures

University of Notre Dame
Response to U.S. Senate Committee on Finance and House Committee on Ways and Means Inquiry 2/8/16

Submitted: April 1, 2016

Endowment Management

1. **What categories of assets are included in your college or university's endowment? For each category, please indicate the amount of funds that are:**
   a. **unrestricted;**
   b. **permanently restricted by donors;**
   c. **temporarily restricted by donors;**
   d. **permanently restricted by your college or university (quasi-endowments); and**
   e. **temporarily restricted by your college or university.**
   f. **For each restricted asset, please describe the uses for which the funds are restricted and the amount of the fair market value of the endowment apportioned to each use. How and why were the restrictions put into place?**

We would like to make several clarifications related to the information requested in question 1. First, please note that questions 1.d and 1.e refer to funds that are permanently or temporarily restricted "by your college or university"; we would like to clarify that under generally accepted accounting principles ("GAAP"), only donors can place restrictions upon endowment funds. All endowment that is established by the university is classified as "unrestricted" for accounting and reporting purposes. Although a use or area of support may be designated by the university, such funds retain a degree of flexibility that donor-restricted funds do not; that is, the university is not bound to maintain its own designation of unrestricted funds either temporarily or permanently. Hence, funds referred to in questions 1.d and 1.e are reflected within the "unrestricted" balances set forth in Chart 1 on the following page.

Second, we would like to point out that the balances in Chart 1 reflect the aggregation of more than five thousand individual funds established either by the university ("unrestricted") or by individual donors ("temporarily restricted" and "permanently restricted"). The rows in Chart 1 reflect broad groupings of individual funds based on the general purpose for which the funds were established to support. The point is that Notre Dame's "endowment" is really a collection of thousands of individual endowment funds, each of which may have its own unique purpose, whether it be restricted by a donor or designated by the university.

An additional point of clarification is required as to the use of the word "assets" within question 1. Notre Dame's endowment-related assets are held in an investment pool--the Notre Dame Endowment Pool ("NDEP")—which functions in a manner similar to a mutual fund. The individual endowment funds reflected within Chart 1 hold shares, or units, in the NDEP. Thus, there is not a 1-to-1 relationship between any given asset held in the NDEP and the funds that hold units in the NDEP. To understand the composition of endowment funds by the degree of restriction or area of intended use, we must look to the unit-holding endowment funds, rather than the assets held in the NDEP itself. Thus, the balances reflected in Chart 1 primarily represent the aggregate equity in the NDEP that is held by individual endowment funds.

In terms of the purposes by which individual funds are grouped in Chart 1, the single largest such group is that for student financial aid—scholarships (undergraduate aid) and fellowships (graduate aid). As for the other groups of funds reflected in Chart 1, "faculty chair" funds support compensation and discretionary funding for endowed professorships, while "academic programs" funds provide endowment support for specific academic-related programs and functions. Funds in the "general operations" group provide support for the university's general operating budget (which is described further following Chart 1 below). The "other" group represents the aggregation of a number of other categories of endowments, such as those currently providing support for athletics, libraries and religious programs, none of which individually exceeds the level of the previous four categories listed.

Chart 1 – Fair value of endowment funds (amounts in thousands):

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total[1]	% Total
		(1a, 1d, 1e)	*(1c)*	*(1b)*		
			As of June 30, 2015			
1f	Scholarships and fellowships	$ 480,820	$ 1,316,360	$ 666,659	$ 2,463,839	28.8%
1f	Faculty chairs	133,473	1,016,075	318,918	1,468,466	17.1%
1f	Academic programs	270,494	481,736	235,520	987,750	11.5%
1f	General operations	1,320,773	69,819	8,879	1,399,471	16.3%
1f	Other	1,135,712	700,211	411,503	2,247,426	26.3%
		$ 3,341,272	$ 3,584,201	$ 1,641,479	$ 8,566,952	100.0%
			As of June 30, 2014			
1f	Scholarships and fellowships	$ 462,235	$ 1,238,361	$ 614,385	$ 2,314,981	28.8%
1f	Faculty chairs	126,277	951,170	290,918	1,368,365	17.0%
1f	Academic programs	242,346	456,736	227,514	926,596	11.5%
1f	General operations	1,251,518	66,943	8,868	1,327,329	16.5%
1f	Other	1,059,739	680,915	361,831	2,102,485	26.2%
		$ 3,142,115	$ 3,394,125	$ 1,503,516	$ 8,039,756	100.0%
			As of June 30, 2013			
1f	Scholarships and fellowships	$ 404,584	$ 1,011,394	$ 583,632	$ 1,999,610	29.2%
1f	Faculty chairs	109,726	788,221	266,457	1,164,404	17.0%
1f	Academic programs	200,193	371,617	219,907	791,717	11.5%
1f	General operations	1,079,231	57,657	8,857	1,145,745	16.7%
1f	Other	898,710	536,859	319,256	1,754,825	25.6%
		$ 2,692,444	$ 2,765,748	$ 1,398,109	$ 6,856,301	100.0%

[1] *Certain reserve funds are not explicitly invested; rather they hold a claim on general university net assets. For each year, these reserve balances are the primary reconciling difference between the Chart 1 total and the endowment line total for the respective year in Chart 2a.*

Note: Endowment information is disclosed in Note 15 (2015) or Note 16 (2013-14) to the university's audited financial statements (financial statements for the fiscal years 2001-2015 are included in the respective annual reports at the University of Notre Dame Controller's Group website - http://controller.nd.edu/annual-reports/).

As noted in Chart 1, nearly 30% of endowment funds are designated or restricted for the *direct* support of student financial aid; that is, the endowment spending generated by these funds (approximately $100 million in fiscal 2015) is awarded to students directly to offset the cost of tuition. However, the endowment's support for financial aid is not limited to that provided *directly* by these funds. It is also worth noting that the university provides for a substantial portion of undergraduate and graduate financial aid in its general operating budget.

Perhaps the best way to think about the general operating budget is that of a pool of unrestricted resources the university allocates to costs that are not supported *directly* by endowment or other restricted sources. Endowment payout (from funds labeled "general operations" in Chart 1) is one of several sources of funding for the operating budget, along with tuition, unrestricted contributions, and other unrestricted revenues. These revenues are essentially fungible, and are used to cover the full scope of costs one would expect from a major university, including financial aid (e.g., nearly $150 million in fiscal 2015). The point is that although the other groups in Chart 1 reflect endowments that *directly* support the applicable programs, the endowment also supports those programs in a more *indirect* manner to the extent that it provides funding for the general operating budget—which in turn allocates resources to programmatic costs, including financial aid. The implication is that without this endowed support for the general operating budget, the university would be faced with even greater pressure on tuition.

2. Does your college or university hold any investments that are not included in the endowment? If so, what are they, and what are their fair market values and basis? How are they used to further the educational purpose of the college or university?

As described in the response to question 1, approximately 95% of the assets supporting Notre Dame's endowment funds are pooled within the NDEP. However, we would like to point out that there are also endowment-related assets that are held separately from the NDEP, primarily for reasons stipulated by donors (e.g. such as in the case of contributed shares of privately held companies). Conversely, some assets pooled within the NDEP are not strictly endowment-related. For example, the university also invests its own working capital in the NDEP. In addition, there are other investments for which Notre Dame plays a custodial or trustee role and thus holds no equity position. For example, the university serves as the trustee of the Notre Dame Employees' Defined Benefit Pension Plan. All of these investment assets are reported in the university's financial statements as shown in charts 2a and 2b that follow.

The largest non-endowment designation is working capital, which generates earnings that are used to support the university's general operating budget. Working capital spending distributions provide resources to help fund the annual operating budget. These working capital funds participate in the university's endowment spending plan in the same fashion as endowments but are not designated as endowment to reflect that these are general assets of the university that support the liquidity requirements of other funds of an operational or capital nature. Working capital held outside the NDEP represents a mix of funds invested for short-term duration, such as unexpended bond proceeds intended for capital project spending, as well as funds designated for longer-term purposes, such as investment portfolios managed by students in conjunction with finance courses.

Note that endowment and working capital-related investments are the only investment assets available to support the operating needs of the university. As alluded to above, the capital itself and earnings generated by other investments for which the university is a trustee or custodian are not available for the university's use. Such investments amounted to just over $1 billion of the university's total investments at June 30, 2015.

Notre Dame's investment assets are summarized in Charts 2a and 2b that follow.

Chart 2a – Investments at fair value (amounts in thousands)

	As of June 30, 2015		
	NDEP	Other	Total
Investments available to support university needs:			
Endowment	$ 8,476,201	$ 47,468	$ 8,523,669
Working capital and other designations	1,080,569	85,530	1,166,099
	9,556,770	132,998	9,689,768
Investments held in a custodial/trustee capacity:			
Split-interest agreements	210,931	10,521	221,452
Religious affiliates	632,961	-	632,961
Defined benefit pension plan	-	155,778	155,778
	843,892	166,299	1,010,191
	$ 10,400,662	$ 299,297	$ 10,699,959

	As of June 30, 2014		
	NDEP	Other	Total
Investments available to support university needs:			
Endowment	$ 7,944,227	$ 53,583	$ 7,997,810
Working capital and other designations	1,043,776	20,619	1,064,395
	8,988,003	74,202	9,062,205
Investments held in a custodial/trustee capacity:			
Split-interest agreements	190,735	14,290	205,025
Religious affiliates	592,774	-	592,774
Defined benefit pension plan	-	152,948	152,948
	783,509	167,238	950,747
	$ 9,771,512	$ 241,440	$ 10,012,952

	As of June 30, 2013		
	NDEP	Other	Total
Investments available to support university needs:			
Endowment	$ 6,775,669	$ 42,145	$ 6,817,814
Working capital and other designations	881,933	16,146	898,079
	7,657,602	58,291	7,715,893
Investments held in a custodial/trustee capacity:			
Split-interest agreements	163,313	9,839	173,152
Revocable charitable trust	-	3,164	3,164
Religious affiliates	485,080	-	485,080
Defined benefit pension plan	-	132,045	132,045
	648,393	145,048	793,441
	$ 8,305,995	$ 203,339	$ 8,509,334

Note: Information concerning investment holdings is disclosed in Note 6 to the university's audited financial statements (financial statements for the fiscal years 2001-2015 are included in the respective annual reports at the University of Notre Dame Controller's Group website - http://controller.nd.edu/annual-reports/).

Chart 2b – Investments at cost basis and fair value (amounts in thousands):

	As of June 30, 2015		*As of June 30, 2014*		*As of June 30, 2013*	
	Cost Basis	Fair Value	Cost Basis	Fair Value	Cost Basis	Fair Value
NDEP	$ 8,096,410	$ 10,400,662	$ 7,512,185	$ 9,771,512	$ 6,977,927	$ 8,305,995
Other investments:						
Endowment	12,904	47,468	11,703	53,583	8,741	42,145
Working capital and other	78,916	85,530	15,848	20,619	13,711	16,146
Split-interest agreements	7,486	10,521	10,795	14,290	8,407	9,839
Revocable charitable trust	-	-	-	-	2,237	3,164
Defined benefit pension plan	130,594	155,778	129,788	152,948	122,062	132,045
	$ 8,326,310	$ 10,699,959	$ 7,680,319	$ 10,012,952	$ 7,133,085	$ 8,509,334

3. What is your endowment size, as measured by total fair market value of its assets? What has been the net growth and net investment return on your endowment each year?

Please refer to Charts 1 and 2a for fair value of endowment funds and investment assets, respectively. Chart 3a summarizes the annual net growth in endowment funds by tax (fiscal) year.

Chart 3a – Changes in endowment funds (amounts in thousands):

	Year ended June 30		
	2015	2014	2013
Beginning of year net assets[1]	$ 8,039,756	$ 6,856,301	$ 6,329,866
Contributions[2]	176,706	164,631	121,034
Investment return	659,398	1,317,009	725,521
Distributions for spending:			
Endowment spending plan	(284,654)	(270,748)	(256,641)
Other withdrawals	(24,254)	(27,437)	(63,479)
Net growth in endowment	527,196	1,183,455	526,435
End of year net assets[1 3]	$ 8,566,952	$ 8,039,756	$ 6,856,301

1 Excludes contributions receivable.

2 Excludes new pledges and other changes in contributions receivable.

3 Certain reserve funds are not explicitly invested; rather they hold a claim on general university net assets. For each year, these reserve balances are the primary reconciling difference between the Chart 3a total and the endowment line total for the respective year in Chart 2a.

Note: Endowment information is disclosed in Note 15 (2015) or Note 16 (2013-14) to the university's audited financial statements (financial statements for the fiscal years 2001-2015 are included in the respective annual reports at the University of Notre Dame Controller's Group website - http://controller.nd.edu/annual-reports/).

Investment returns reported in the university's audited financial statements are net of investment management fees (see further in response to question 4), and are summarized in Charts 3b, 3c and 3d that follow. Note that the returns reflected therein represent returns on the investments available to support university needs (for example, the $9.689 billion in endowment and working capital investments denoted in Chart 2a).

Chart 3b illustrates that the nature of investment returns is a mix of income, such as interest and dividends, and net gains (or losses) on investments. Note that the proportion of returns comprised of gains is reflective of the university's total return strategy, under which long-term return objectives are sought through capital appreciation (i.e. gains) in addition to current yield (i.e. income).

Chart 3b – Investment returns by nature (amounts in thousands):

	Year ended June 30		
	2015	2014	2013
Investment income	$ 89,755	$ 114,917	$ 77,853
Net gain on investments:			
Realized gains, net	617,263	499,162	380,738
Unrealized gains, net	32,418	868,732	354,928
	649,681	1,367,894	735,666
	$ 739,436	$ 1,482,811	$ 813,519

As noted in the response to question 2, endowment and working capital-related investments are the only portion of Notre Dame's investment assets available to support university operating needs, and further are the investments that generate the returns recognized as such in the university's financial statements. Chart 3c illustrates the extent to which the same returns reflected in chart 3b relate to either investments for endowment or working capital.

Chart 3c – Investment returns by underlying funds (amounts in thousands):

	Year ended June 30		
	2015	2014	2013
Endowment (trace to Chart 3a)	$ 659,398	$ 1,317,009	$ 725,521
Working capital and other designations	80,038	165,802	87,998
	$ 739,436	$ 1,482,811	$ 813,519

Also noted in the response to question 2, all but a small amount of assets related to endowment and working capital are invested in the NDEP. Chart 3d illustrates the extent to which the returns reflected in the previous two charts are generated by the NDEP as opposed to other investments.

Chart 3d – Investment returns by source (amounts in thousands):

	Year ended June 30		
	2015	2014	2013
NDEP	$ 742,361	$ 1,464,964	$ 804,380
Other investments	(2,925)	17,847	9,139
	$ 739,436	$ 1,482,811	$ 813,519

Note: Information concerning investment returns is disclosed in Note 6 to the university's audited financial statements (financial statements for the fiscal years 2001-2015 are included in the respective annual reports at the University of Notre Dame Controller's Group website - http://controller.nd.edu/annual-reports/).

As reflected in Chart 3d, the vast majority of investment returns are generated by the NDEP. In terms of percentages, the return on NDEP investments, net of investment management fees, is summarized in Chart 3e.

Chart 3e – NDEP investment return

	Year ended June 30		
	2015	2014	2013
NDEP investment return	8.7%	19.7%	11.8%

4. How much has your college or university spent each year to manage the endowment, and how many staff and contractors are employed to manage the endowment? For any fees paid to nonemployees for investment advice, asset management, or otherwise, please provide detail on the amounts paid, to whom, and the fee arrangement.

Colleges and universities employ various approaches in the investment oversight and management of their endowment funds and other financial assets. Much of the differences relate to the size of funds under management and the complexity and sophistication of the investment strategy. Smaller to mid-sized endowment funds will generally pursue a consulting model or outsource the management to a third-party commercial OCIO firm (Outsourced Chief Investment Officer). Both approaches can be effective and allow the college or university to take advantage of outside expertise on asset allocation, investment strategy and manager search that they may not have internally and have not been able to develop internally over time. Most of the larger endowment funds, including Notre Dame and most of the top 20 largest university endowment funds, have created a dedicated investment management organization with specialized expertise in these functions. This approach provides some advantages in recruiting and retaining internal investment expertise, provides greater continuity in investment philosophy and approach, is helpful in developing long term relationships with premier outside money management firms (asset managers, private equity, hedge funds, real estate, etc.), allows for more direct oversight of investment management decisions, and allows for greater understanding and oversight of complex and extensive compliance activities and requirements inherent in the investment industry. The NDEP is managed by the University's Investment Office, which is led by the Vice President and Chief Investment Officer and employs 34 professional and administrative staff members. This approach has led to higher net returns on average than other models, which has led to more financial aid resources available to students and more resources for premier faculty and academic programs.

Like any contract for services, the terms of the engagement between the investor and outside money manager are intended to align incentives for the long term benefit of both parties. These terms include various provisions, including management fees, incentive fees, liquidity provisions, hurdle rates, etc. and vary from firm to firm. Management fees are paid to external managers, generally calculated as a percentage of assets under management. Some firms have incentive fees that are calculated as a percentage of gains achieved in the funds over time. The attractiveness of these firms as potential investment partners is based on an evaluation of all of these terms, including the net returns (net of management and incentive fees) that the staff determines the investment partners can achieve over time. In addition, there are internal costs to maintain the operations of the University's Investment Office, including the global investment team, and staff managing accounting, legal, audit and compliance activities. Costs associated with internal Investment Office operations and fees paid directly out of the NDEP to external investment managers are summarized in Chart 4.

Chart 4 – Direct investment management expenses (amounts in thousands):

	Year ended June 30		
	2015	2014	2013
Direct investment management expenses	$ 49,282	$ 38,381	$ 28,055

Note: Investment management expenses paid directly are disclosed in Note 6 to the university's audited financial statements (financial statements for the fiscal years 2001-2015 are included in the respective annual reports at the University of Notre Dame Controller's Group website - http://controller.nd.edu/annual-reports/). In addition to separate accounts, the NDEP is also invested in pooled investment funds. Generally, such funds, and not the NDEP, are directly responsible for paying the management fees and any performance allocations. The above figures do not include fees or allocations made by the funds to the managers of such funds.

5. If your endowment is required to file a Form 990 separately from your college or university's Form 990, please provide the endowment entity name(s) and Employment Identification Number.

Not applicable.

Endowment Spending and Use

6. How does your college or university determine what percentage of the endowment will be paid out each year? If any, what has been the target endowment payout as a percentage of the endowment's beginning balance each year? If that answer differs from the percentage paid out, please explain why. Please attach any payout policies or guidance.

As described previously the "endowment" is actually a collection of thousands of individual funds created primarily by alumni and other university benefactors that in the aggregate form the "endowment." The mission of the endowment is to provide financial support to the respective beneficiary programs in perpetuity. Providing financial support "in perpetuity" means that the endowment will support university activities for both current and future generations. This key concept

of endowment management is often described as "intergenerational equity," and requires the university to carry out the mission of the endowment, including spending decisions, in a manner that balances the needs of current students, faculty and staff with those of the future. Too much current spending will erode financial support available to future generations, while too little current spending will allow the endowment to grow at a faster rate but at the expense of current recipients.

The university's Board of Trustees makes annual decisions setting the NDEP payout rate for the coming fiscal year as part of its approval of the annual budget. In determining the annual payout rate, the Board considers a number of factors, including recent and anticipated investment performance, university goals and general economic conditions. In terms of payout percentage, Notre Dame targets a long-term spending rate of between 4 and 5 percent of the trailing 12-quarter moving average of NDEP net asset values. As Chart 6 illustrates, during periods of positive investment markets (i.e. where the denominator increases) the spending rate tends to decline, while during periods of declining investment markets (i.e. where the denominator decreases) the spending rate tends to rise.

Chart 6 – NDEP spending rate (per unit) as a percentage of trailing 12-quarter average NDEP net asset value (per unit) and quarter ending S&P 500 Index:

7. Does your college or university have policies regarding spending the endowment principal? Has your college or university ever spent endowment principal? If so, under what circumstances?

In terms of its fiduciary responsibilities, Notre Dame is bound by the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), enacted in Indiana in 2007. UPMIFA sets forth rules governing the management of donor-restricted endowment funds. Subject to specific donor restrictions imposed in a gift instrument, UPMIFA does provide institutions the latitude to appropriate from donor-restricted endowment, including principal, while taking into consideration a variety of factors, such as the duration and preservation of the endowment fund, expected returns, and potential effects of inflation. Notre Dame does appropriate from donor-restricted endowments to the extent that earnings and appreciation are available to fund such appropriations (all of which are then utilized in accordance with donor restrictions as to purpose). The university does not, however, spend from donor-restricted endowment principal.

A common circumstance that may lead universities to consider spending from endowment principal is when the value of an endowment fund falls below its original principal amount (i.e. when a fund is deemed to be "underwater"); the implication being that there is no accumulated appreciation from which to make appropriation. Spending from principal may be a short-term means of maintaining at least some degree of support for the programs that rely on underwater funds, but is arguably unsustainable in extended periods of market declines. In lieu of spending from endowment principal in such circumstances, Notre Dame has a policy of subsidizing endowment payout to programs supported by such funds from unrestricted reserves set aside specifically for this purpose. This allows programs that rely on endowment support, such as student financial aid, to continue to operate at full capacity in periods of market decline. Naturally, as payout subsidies are utilized, reserves are drawn down. As markets recover and underwater funds regain their ability to be self-supporting, subsidy reserves are replenished through accumulated returns. For example, following the sharp market downturn experienced during the 2008 Financial Crisis, many endowment funds, including those supporting student financial aid, were pushed into underwater status. The payout subsidy to such funds from university reserves meant that students relying on financial aid from such endowments, as well as beneficiaries of other endowed programs, experienced no interruption in support during the downturn. In fact, annual incremental spending payout increases continued throughout the downturn and the ensuing market recovery. Furthermore, avoiding spending from endowment principal allowed the values of the funds that temporarily went "underwater" to recover their value and return to self-supporting status more rapidly.

8. How much and what percentage of the endowment's beginning balance has your college or university spent each year? How much and what percentage of the endowment's return on investment has your college or university spent each year?

As described in the response to question 6, the university targets a spending rate based on a 12-quarter trailing average net asset value. As requested, Chart 8a illustrates annual endowment spending payout as a percentage of beginning of year endowment net assets (note that the denominator is reflected in Chart 3a).

Chart 8a – Endowment spending distributions as a percentage of beginning of year endowment net assets (amounts in thousands):

	Year ended June 30		
	2015	**2014**	**2013**
Endowment spending plan	$ 284,654	$ 270,748	$ 256,641
Other withdrawls[1]	24,254	27,437	63,479
Total distributions	$ 308,908	$ 298,185	$ 320,120
Divided by beginning of year endowment net assets[2]	$ 8,039,756	$ 6,856,301	$ 6,329,866
	3.8%	**4.3%**	**5.1%**

[1] *Withdrawals from endowment made primarily to fund capital project spending.*
[2] *Excludes contributions receivable.*

Also described in the response to question 6, the university adheres to the fundamental concept of intergenerational equity in managing its endowment; that is, it must generate returns that are sufficient to provide for current needs while maintaining the purchasing power of the endowment for future generations. The implication is that some portion of returns must be retained to grow the endowment in order to keep pace with inflation. In fact, the investment objectives under which the endowment is managed include a long-term rate of return target equal to inflation (measured by the Consumer Price Index) plus 5.5 percent. In addition, growth also serves to provide a buffer against market volatility. For example, investment returns in five of the past fifteen years were actually *less* than the amount distributed from the endowment for spending (see Chart 8c). As noted previously, the university measures its spending rate on a 12-quarter trailing average of values, which provides some allowance for such market volatility. Considering these factors, payout for spending in any given year will not necessarily bear a close relationship to the actual investment returns earned during the year, and, as Chart 8b illustrates, may vary substantially from year to year as a percentage of actual returns.

Chart 8b – Endowment spending distributions as a percentage of investment return (amounts in thousands):

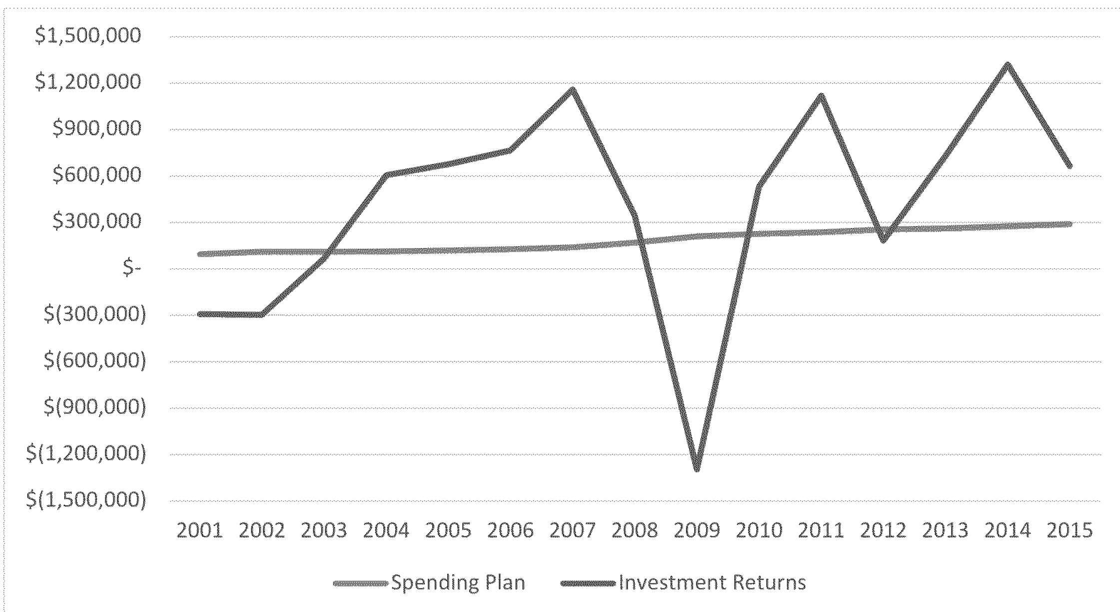
	Year ended June 30			*Cumulative total: years ended June 30*
	2015	**2014**	**2013**	**2006 - 2015**
Total distributions	$ 308,908	$ 298,185	$ 320,120	$ 2,539,221
Divided by endowment investment return	$ 659,398	$ 1,317,009	$ 725,521	$ 5,475,781
	46.8%	**22.6%**	**44.1%**	**46.4%**

Note: Endowment information is disclosed in Note 15 (2015) or Note 16 (2013-14) to the university's audited financial statements (financial statements for the fiscal years 2001-2015 are included in the respective annual reports at the University of Notre Dame Controller's Group website - http://controller.nd.edu/annual-reports/).

Endowment spending in higher education must be analyzed with a long-term view, which distinguishes endowments from foundations, for example. While foundations exist to spend in furtherance of accomplishing a stated goal (e.g. eradicating a disease), college and university endowments exist to sustain the organization in perpetuity as described above. Therefore, in the context of higher education, it is essential to plan ahead for the "rainy day" – invest well, spend generously but prudently, and leave a cushion for difficult times. These complex decisions are best left to experienced administrators on a case-by-case basis considering the nuances of each institution.

For example, there have been extended periods of many years when the investment markets were very difficult. As recently as the early 1980s, real investment returns were negative over the prior 15 year period. A shorter-lived but more recent example still very fresh in everyone's mind is the 2008 Financial Crisis, when the value of many endowments declined 20-30 percent. As Chart 8c demonstrates, distributions under the endowment spending plan continued to grow in the wake of the 2008 Financial Crisis even as investment markets declined significantly, allowing the educational mission to continue unabated without having to cut student services or to dramatically increase tuition.

Chart 8c – Endowment spending plan distributions and endowment investment returns (amounts in thousands)



Another way to conceptualize this is to factor in the unique nature of higher education finances. Colleges and universities have a high proportion of fixed costs, such as faculty, classroom and laboratory buildings, residence halls and other facilities, and technology needs. In essence, a major college or university is like a small city with its own security force and fire department, streets and sidewalks that need to be maintained, buildings that require utilities and maintenance, dining halls for students and so forth. Due to the high proportion of fixed costs, it is important to minimize year-

to-year fluctuations in revenue sources, including spending from the endowment – insufficient funding even on a temporary basis in any of these areas of campus life could severely impact the quality of teaching, research and the student experience. Since private universities do not benefit from state appropriations available to public institutions, they are very reliant on stable endowment spending that can be counted on from year to year. Universities therefore strive to avoid fluctuations in endowment spending, which allows for some level of predictability in longer-term budget planning.

In sum, it is essential to moderate spending increases in rising investment markets in order to preserve the flexibility to maintain or increase spending during extended periods when investment markets are flat or negative or when there is a severe market decline as in 2008. If this were not the case, endowment spending by necessity would decline during periods when investment markets are not performing well. This would leave colleges and universities with two choices. The first would be cutbacks that adversely affect the quality of the educational mission and/or the financial aid that can be awarded to students, which of course harms students and is not desirable. The second would be to disproportionately increase tuition to make up for the shortfall in endowment spending, precisely at the time when families are least able to bear an increase as their personal finances similarly suffer from market conditions or the general economy. The University believes it has successfully balanced the various factors that enter into such decisions, evidenced by the data above showing steady increases in endowment spending even during periods of economic or financial market distress.

9. What percentage of your endowment does your college or university devote to financial aid for student tuition? How much for other forms of student financial aid? Please specify the types of non-tuition financial aid provided.

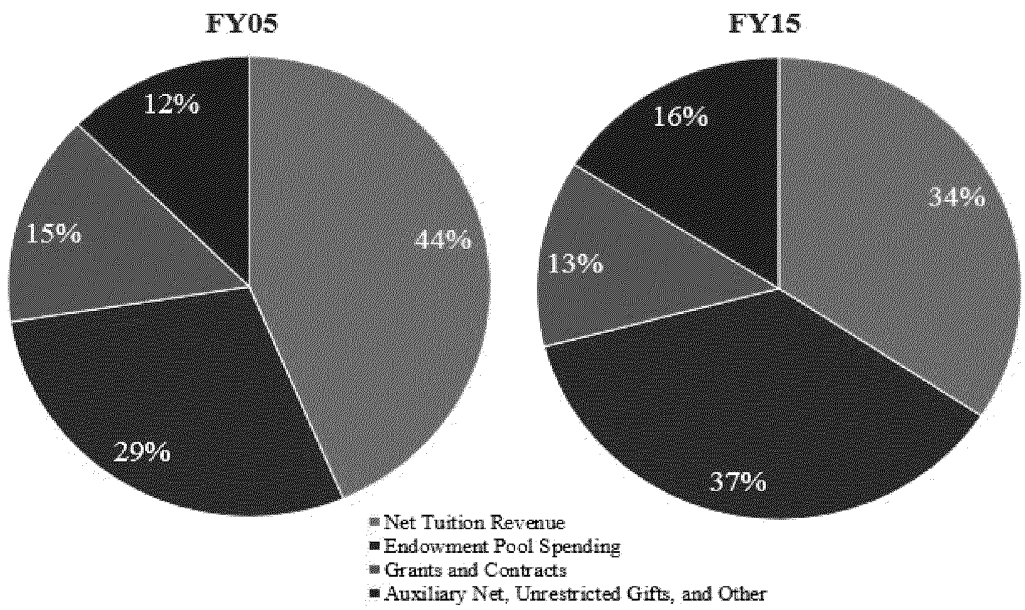
University leadership strives to make a Notre Dame education financially possible to all qualified students. Approximately 97% of graduate students seeking master's and doctoral degrees receive full-tuition fellowships. Fellowships for students in professional graduate programs (e.g. law and business programs) are also awarded, primarily on the basis of demonstrated need. Undergraduates, which comprise nearly 70% of Notre Dame's student enrollment, are eligible for tuition scholarships on a need or merit basis. Endowment support is a substantial and crucial source of funding for both scholarships and fellowships.

As reflected in Chart 1, endowment funds restricted by donors or designated by the university to support student financial aid in the form of scholarships and fellowships (i.e. tuition remission) comprise the greatest portion of the endowment when viewed by type of program supported. Based on the information in Chart 1, nearly 30% of total endowment net assets are devoted to *directly* supporting student financial aid.

Also noted in the response to question 1, endowments also provide significant support for the university's general operating budget, which in turn provides for a substantial portion of scholarships and fellowships awarded each year beyond what is supported *directly* by endowment. Although endowment support for the general operating budget is essentially fungible and is one of several streams of unrestricted operational support (along with tuition revenue, contributions, etc.), this support helps make possible the level of aid provided for in the operating budget.

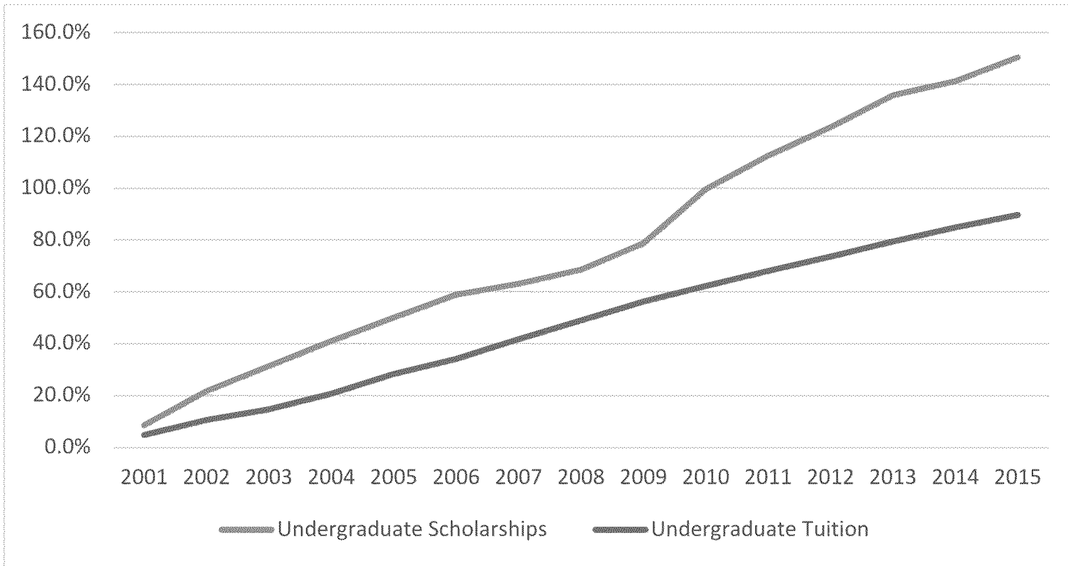
Growth in direct endowment support for student financial aid, as well as growth in endowed support for the general operating budget has resulted in a gradual shift in the mix of the university's operational revenue streams. As Chart 9a demonstrates, the proportion of revenues derived from tuition has decreased as the proportion of support from the endowment has expanded.

Chart 9a – Operating revenue composition



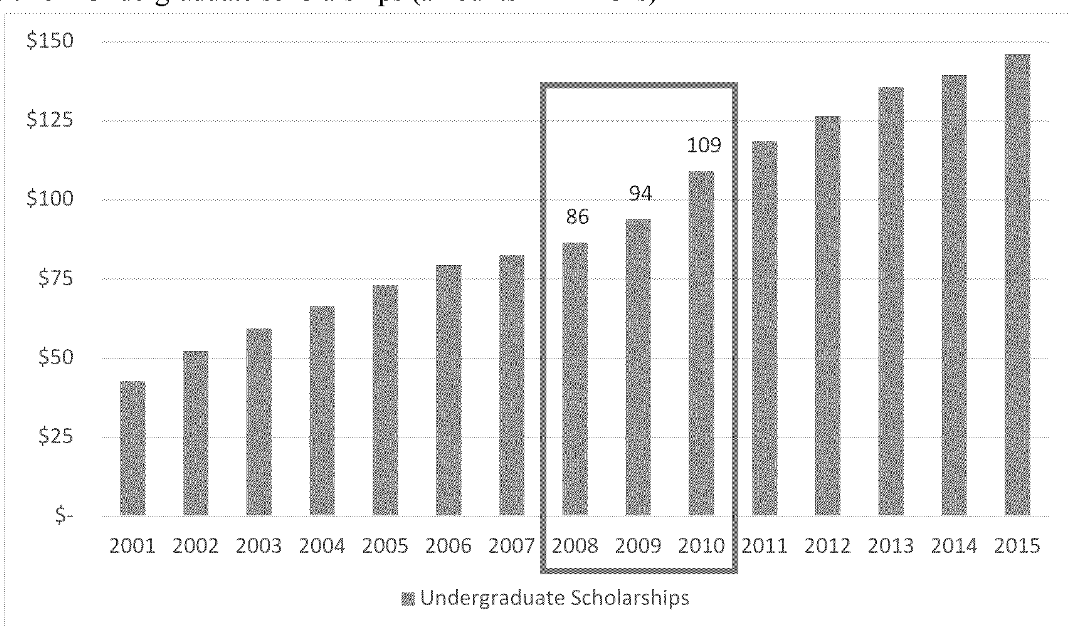
Another way of illustrating the impact of endowment support for student financial aid is to compare financial aid growth to the growth in tuition revenue. For example, Chart 9b illustrates that over the past 15 years growth in the amount of financial aid in the form of undergraduate scholarships has outpaced the growth in tuition charged to undergraduates.

Chart 9b – Growth in undergraduate scholarships and undergraduate tuition revenue



Put another way, the aggregate amount of undergraduate tuition remission in the form of scholarships has grown more than the aggregate tuition charged to undergraduates. As a result, the tuition discount percentage, that is, the portion of tuition offset by scholarship aid, has grown from 23% in 2001 to 37% in 2015. Chart 9c illustrates scholarship growth in terms of dollars awarded, particularly in the years following the 2008 Financial Crisis when total scholarships awarded jumped from $86 million in 2008 to $109 million in 2010. Direct endowment support for financial aid and endowed support for the operating budget help make the growth in scholarships possible.

Chart 9c – Undergraduate scholarships (amounts in millions)



Notre Dame is one of only 62 colleges nationally that is committed to need-blind admissions (i.e. an applicant's financial situation is not considered when deciding admission) and meeting the full demonstrated financial need of its undergraduate students for all four years. This allows Notre Dame to be more sensitive to a family's individual situation and assist accomplished students from a wide range of backgrounds, ensuring that finances are not a barrier to completing a degree (90% of undergraduate students complete their degree in four years).

During fiscal 2015, 70% of undergraduate students received some source of financial aid and 49% of undergraduates received need-based scholarships, the median amount of which was $30,570. Moreover, during the same fiscal year 226 undergraduate students received merit scholarships, ranging from $10,000 to full cost of attendance. In addition to scholarships, more than half of which are funded directly by endowment, the university also provides assistance to meet demonstrated need in the form of grants, student educational loans, and work-study programs. However, growth in scholarship aid has mitigated the burden of student loan debt. For example, the average federal loan debt upon graduation is $22,125, which represents less than 10% of the four-year cost of attending Notre Dame.

Notre Dame's gross cost of attendance currently ranks 63rd highest of all colleges and universities in the nation. But the *net price* that students pay after financial assistance is considered places the university 303rd of all colleges and universities. At the same time, Notre Dame remains a *U.S. News & World Report* top twenty institution. Even so, the university recognizes the financial commitment that comes with pursuing a college degree and is committed to continuing to increase financial aid available to all qualified students. In fact, university leadership has identified financial aid as the single greatest funding priority in its current comprehensive fundraising campaign.

10. Does your college or university have policies regarding whether it is allowed to accept funds restricted to a specific purpose? Has your college or university ever declined a donation because it was restricted to a certain purpose? If so, please describe those specific scenarios in which your school rejected a donation.

The university maintains and actively adheres to policies for evaluating whether to accept gifts restricted to a specific purpose. The university will accept gifts restricted to a specific purpose provided that they are approved according to such policies, which take into account various factors, such as consistency of the gift with the university's Catholic mission, strategic university priorities, and applicable legal standards. The university declines restricted gifts that are not consistent with the aforementioned criteria.

11. How much and what percentage of your college or university's endowment is invested in real property (not including REITs or other publicly-traded securities)? Please list and describe your college or university's real estate holdings, including real estate held by the college or university, the endowment, and all related entities. If the college or university has made any Payments in Lieu of Taxes, please provide the date and amount of the payment.

A portion of the NDEP's investments is allocated to real estate-related assets as a means of enhancing portfolio diversification, providing a hedge against unanticipated inflation and providing relative stability in periods of market uncertainty. With the exception of a single direct property investment, all other real estate-related holdings take the form of investments in externally-managed funds in which the university is a passive limited partner investor.

Chart 11a – NDEP real estate holdings (amounts in thousands):

	As of June 30		
	2015	2014	2013
Fair value of real estate-related holdings	$ 670,123	$ 692,434	$ 667,732
Percentage of total NDEP assets	6.4%	7.1%	8.0%

Note: Information concerning investment holdings is disclosed in Note 6 to the university's audited financial statements (financial statements for the fiscal years 2001-2015 are included in the respective annual reports at the University of Notre Dame Controller's Group website - http://controller.nd.edu/annual-reports/).

Actual real estate held by the university is summarized as follows, with a description of the general purposes served by the properties:

Main campus and periphery – The university's campus in South Bend, Indiana encompasses approximately 1,250 acres and is home to the academic and administrative functions of the university. The university also owns a variety of properties on the periphery of its main campus, including residential properties, undeveloped land and facilities being developed for research-related use.

Other domestic properties – Notre Dame owns a 7,500-acre facility in northern Michigan that is primarily utilized for biological research.

Foreign properties – The university owns properties in Dublin, London and Rome, all of which are used exclusively for its study-abroad programs based in those cities. For example, the university owns classroom and student housing properties in Rome, where students in the university's architecture program spend their junior year of study.

Gifted properties – From time to time, the university may be the recipient of donated real estate, which it seeks to liquidate at its earliest opportunity. The university currently has several such properties it is seeking to liquidate, each of which is residential in nature.

The university has not made Payments in Lieu of Taxes; unlike other universities, Notre Dame is largely self-sufficient, with its own police and fire departments, a power plant, etc. In fact, studies consistently show that the university is a major contributor to the economic vitality of the neighboring city of South Bend, St. Joseph County, and the state of Indiana. The most recent statistics measure

this positive economic impact in excess of one billion dollars annually. Nevertheless, the university has directly demonstrated its commitment to surrounding communities by annual voluntary contributions to those communities. During fiscal 2009, the university pledged a total of $5,500,000 in voluntary contributions to local governments for their discretionary use. The pledge is being fulfilled in annual installments through fiscal 2018.

Donations

12. Does your college or university grant naming rights to donors based on certain donation levels? If so, please describe the naming rights program, including how much and what percentage of any naming rights donations your college or university has used for tuition assistance.

The university maintains guidelines around naming rights for gifts provided to support the comprehensive mission of Notre Dame. Specifically, names are applied to funds created by philanthropic gifts of $100,000 or more, and are inclusive of tuition assistance, academic programming, endowments supporting the student experience, endowed professorships, endowments for excellence, etc. Naming rights vary based on the materiality of the restricted gift and cost of the specific priority for which the gift is restricted. For fiscal years 2013 - 2015, the university has been fortunate enough to receive endowed financial aid gifts representing 38.1% of all endowed gifts qualifying for naming rights.

Conflicts of Interest

13. What conflict of interest policies does your college or university have in place to address financial interest in endowment investments (including potential conflicts of interest among and between governing boards, trustees, executives, internal employees tasked with overseeing the endowment, and external asset managers of endowment assets)? How do you vet board members' potential conflicts of interest? What are your policies if a conflict arises with a member of the board of trustees?

The university maintains a robust annual Conflict of Interest disclosure process for all employees, requiring the disclosure of any activity or interest which could potentially present a conflict with their duties as university employees. In addition, there are a variety of policies and procedures in place to address conflicts of interest specifically with respect to endowment investments, the major provisions of which are described below:

- Employees of the university's Investment Office are prohibited from investing in any investment fund in which the Investment Office has authorized an investment by the university. This prohibition does not apply to publically traded securities or to funds offered to the public generally, such as mutual funds, REITs and ETFs. Employees' spouses and dependents are bound by the policy as well.

- In affirmation of legal requirements, university policy also prohibits Investment Office employees from engaging in insider trading or frontrunning, either for themselves or on behalf of others.
- If the Investment Office staff is proposing an investment for the university in a fund or account in which the staff is aware that a member of the university's Board of Trustees who is not on the Investment Committee is employed by or is actively involved in the conduct of the business of the investment management firm at issue, the staff must bring forward this information prior to approval of the investment.
- If a member of the Investment Committee of the Board of Trustees has a personal financial interest in an investment fund owned by the university or proposed to be owned by the university, such member shall disclose such fact to the Committee at or prior to the time of any deliberation, vote or other action by the Committee related to such university investment. Such member may provide information helpful to the Committee in its deliberations, but may not participate in any vote or other action. The member's spouse and dependents are bound by the policy as well.
- If a member of the Investment Committee or a member's spouse or dependent (i) is employed by, (ii) serves as a director or trustee of, or (iii) holds a material ownership interest in an entity which directly or through an affiliate serves as an investment advisor with respect to an investment fund or account owned by the university or proposed to be owned by the university, such member must disclose such fact to the Committee at or prior to the time of any deliberation, vote or other action by the Committee related to such investment by the university, and such member may not participate in any such deliberation, vote or other action.

Appendix

Exhibit 1 – Notre Dame Endowment Pool Spending Policy

The purpose of the Endowment Pool is to provide a perpetual source of operating support to the University through its endowed programs. It is important to balance current program needs with the needs of future generations of beneficiaries. Generating a stable stream of revenues, while maintaining the purchasing power of the Endowment assets, will ensure financial equilibrium over time and improve the financial standing of the University.

In order to balance these competing needs, the University has adopted a long-term spending rate target of between 4 and 5 percent of the trailing twelve-quarter moving average of net asset values per unit.

Exhibit 2

University of
Notre Dame du Lac

Consolidated Financial Statements
for the years ended
June 30, 2015 and 2014

Contents

pwc

Independent Auditor's Report

Board of Trustees
University of Notre Dame du Lac
Notre Dame, Indiana

We have audited the accompanying consolidated financial statements of the University of Notre Dame du Lac and its subsidiaries (the "University") which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Notre Dame du Lac and its subsidiaries at June 30, 2015 and 2014, and the changes in their unrestricted net assets, net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

November 18, 2015

PricewaterhouseCoopers LLP, One North Wacker Drive Chicago, IL, 60606
T: (312)298 2000, F: (312) 298 2001, www.pwc.com/us

University of Notre Dame du Lac

Consolidated Statements of Financial Position

(in thousands)

	As of June 30 2015	2014
Assets		
Cash and cash equivalents	$ 203,593	$ 94,259
Accounts receivable, net (*Note 2*)	40,620	29,039
Deferred charges and other assets (*Note 3*)	56,202	47,367
Contributions receivable, net (*Note 4*)	433,468	307,175
Notes receivable, net (*Note 5*)	44,692	45,925
Investments (*Note 6*)	10,699,959	10,012,952
Land, buildings and equipment, net of accumulated depreciation (*Note 7*)	1,515,123	1,382,730
Total assets	$ 12,993,657	$ 11,919,447
Liabilities		
Accounts payable (*Note 7*)	$ 77,735	$ 35,875
Short-term borrowing (*Note 8*)	45,015	143,038
Deferred revenue and refundable advances (*Note 9*)	72,295	83,607
Deposits and other liabilities (*Note 10*)	115,819	97,162
Liabilities associated with investments (*Note 6*)	788,950	745,785
Obligations under split-interest agreements (*Note 16*)	144,113	121,979
Bonds and notes payable (*Note 11*)	883,628	668,532
Conditional asset retirement obligations (*Note 7*)	25,011	24,813
Pension and other postretirement benefit obligations (*Note 13*)	136,368	107,680
Government advances for student loans (*Note 5*)	29,914	29,670
Total liabilities	2,318,848	2,058,141
Net Assets		
Unrestricted (*Note 14*)	4,630,672	4,365,745
Temporarily restricted (*Note 14*)	4,169,034	3,822,008
Permanently restricted (*Note 14*)	1,875,103	1,673,553
Total net assets	10,674,809	9,861,306
Total liabilities and net assets	$ 12,993,657	$ 11,919,447

See accompanying notes to consolidated financial statements.

University of Notre Dame du Lac

Consolidated Statements of Changes in Unrestricted Net Assets

(in thousands)

	Years ended June 30 2015	2014
Operating Revenues and Other Additions		
Tuition and fees	$ 543,929	$ 521,396
Less: Tuition scholarships and fellowships	(246,010)	(233,080)
Net tuition and fees	297,919	288,316
Grants and contracts (*Note 17*)	117,263	109,809
Contributions	39,734	39,126
Accumulated investment return distributed (*Note 6*)	104,915	97,307
Sales and services of auxiliary enterprises	246,287	231,941
Other sources	49,072	47,320
Total operating revenues	855,190	813,819
Net assets released from restrictions (*Note 14*)	224,019	210,750
Total operating revenues and other additions	1,079,209	1,024,569
Operating Expenses		
Instruction	350,526	339,323
Research	115,347	107,325
Public service	27,425	27,446
Academic support	96,775	94,204
Student activities and services	49,735	46,111
General administration and support	195,047	179,888
Auxiliary enterprises	222,835	213,421
Total operating expenses	1,057,690	1,007,718
Increase in unrestricted net assets from operations	21,519	16,851
Non-Operating Changes in Unrestricted Net Assets		
Contributions	36,640	29,454
Investment income (*Note 6*)	41,843	52,216
Net gain on investments (*Note 6*)	298,770	626,762
Accumulated investment return distributed (*Note 6*)	(104,915)	(97,307)
Net loss on debt-related derivative instruments (*Note 12*)	(6,836)	(6,560)
Net assets released from restrictions (*Note 14*)	10,257	42,475
Net pension and postretirement benefits-related changes other than net periodic benefits costs (*Note 13*)	(28,019)	(9,867)
Other non-operating changes	(4,332)	1,187
Increase in unrestricted net assets from non-operating activities	243,408	638,360
Increase in unrestricted net assets	$ 264,927	$ 655,211

See accompanying notes to consolidated financial statements.

University of Notre Dame du Lac

Consolidated Statements of Changes in Net Assets

(in thousands)

	Years ended June 30 2015	2014
Unrestricted Net Assets		
Operating revenues and other additions	$ 1,079,209	$ 1,024,569
Operating expenses	(1,057,690)	(1,007,718)
Increase in unrestricted net assets from operations	21,519	16,851
Increase in unrestricted net assets from non-operating activities	243,408	638,360
Increase in unrestricted net assets	264,927	655,211
Temporarily Restricted Net Assets		
Contributions	184,916	186,734
Investment income (*Note 6*)	45,836	60,086
Net gain on investments (*Note 6*)	350,880	740,809
Change in value of split-interest agreements (*Note 16*)	(3,311)	13,780
Net assets released from restrictions (*Note 14*)	(234,276)	(253,225)
Other changes in temporarily restricted net assets	2,981	3,665
Increase in temporarily restricted net assets	347,026	751,849
Permanently Restricted Net Assets		
Contributions	206,550	151,927
Investment income (*Note 6*)	2,076	2,615
Net gain on investments (*Note 6*)	31	323
Change in value of split-interest agreements (*Note 16*)	(4,699)	6,032
Other changes in permanently restricted net assets	(2,408)	(2,786)
Increase in permanently restricted net assets	201,550	158,111
Increase in net assets	813,503	1,565,171
Net assets at beginning of year	9,861,306	8,296,135
Net assets at end of year	$ 10,674,809	$ 9,861,306

See accompanying notes to consolidated financial statements.

University of Notre Dame du Lac

Consolidated Statements of Cash Flows

(in thousands)	Years ended June 30	
	2015	**2014**
Cash Flows from Operating Activities		
Increase in net assets	$ 813,503	$ 1,565,171
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net gain on investments	(649,681)	(1,367,894)
Contributions for long-term investment	(176,342)	(134,601)
Contributed securities	(108,688)	(91,291)
Proceeds from sales of securities contributed for operations	6,248	4,553
Depreciation	63,139	60,667
Loss on disposal of land, buildings and equipment	4,261	2,174
Change in contributions receivable	(126,293)	(109,472)
Change in value of split-interest agreements	9,051	(19,561)
Change in conditional asset retirement obligations	198	1,370
Change in pension and other postretirement benefit obligations	28,688	6,745
Changes in operating assets and liabilities:		
Accounts receivable, deferred charges and other assets	(20,416)	1,160
Accounts payable, deferred revenue and refundable advances, and deposits and other liabilities	16,445	3,123
Other, net	3,076	2,831
Net cash used by operating activities	(136,811)	(75,025)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,164,064	2,345,649
Purchases of investments	(3,137,812)	(2,340,981)
Purchases of land, buildings and equipment	(165,596)	(98,748)
Student and other loans granted	(4,403)	(4,771)
Student and other loans repaid	5,761	5,129
Net cash used by investing activities	(137,986)	(93,722)
Cash Flows from Financing Activities		
Investment income restricted for non-operational purposes	3,719	5,187
Contributions for long-term investment	186,820	143,444
Proceeds from sales of securities contributed for long-term investment	101,276	83,749
Proceeds from short-term borrowing	614,073	913,381
Repayment of short-term borrowing	(712,096)	(878,343)
Payments to beneficiaries of split-interest agreements	(14,228)	(11,031)
Proceeds from bonds and notes issued	409,573	-
Repayment of bonds and notes	(195,727)	(153,217)
Government advances for student loans	414	258
Cash accepted for investment on behalf of religious affiliates	19,892	21,216
Cash returned to religious affiliates	(29,585)	(10,202)
Net cash provided by financing activities	384,131	114,442
Net change in cash and cash equivalents	109,334	(54,305)
Cash and cash equivalents at beginning of year	94,259	148,564
Cash and cash equivalents at end of year	$ 203,593	$ 94,259
Supplemental Data		
Interest paid	$ 22,875	$ 25,158

See accompanying notes to consolidated financial statements.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

NOTE 1.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The University of Notre Dame du Lac is a private Catholic research university. The accompanying consolidated financial statements include the assets and operations of certain other entities under the financial control of the University of Notre Dame du Lac. The University of Notre Dame du Lac and entities included herein are referred to individually and collectively as the "University."

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements reflect the activities of the University as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions and available for any purpose consistent with the University's mission. Revenues are generally reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by unrestricted funds functioning as endowment and other sources are classified as changes in unrestricted net assets. Operating expenses are reported as decreases in unrestricted net assets.

Temporarily Restricted Net Assets – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the University and/or passage of time. Contributed assets normally fund specific expenditures of an operating or capital nature. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets. Subject to the University's endowment spending policy and any restrictions on use imposed by donors, accumulated investment returns on donor-restricted endowments are generally available for appropriation to support operational needs. Temporarily restricted contributions or investment returns received and expended within the same fiscal period are reported as increases in temporarily restricted net assets and net assets released from restrictions, respectively.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions requiring they be maintained permanently. Permanently restricted net assets are generally restricted to long-term investment and are comprised primarily of donor-restricted endowment funds. The University classifies the following portions of donor-restricted endowment funds as permanently restricted net assets: (a) the original value of assets contributed to permanent endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

The University's measure of operations presented in the consolidated statements of changes in unrestricted net assets includes revenues from tuition and fees, grants and contracts, unrestricted contributions designated for operations, accumulated investment return distributed under the University's spending policy and revenues from auxiliary enterprises and other sources, such as licensing and conferences. Other additions include net assets released from restrictions based upon their expenditure in support of operations or net assets made available for operations by

virtue of the expiration of a term restriction. Operating expenses are reported by functional categories, after allocating costs for operations and maintenance of plant, interest on indebtedness and depreciation.

Non-operating activities presented in the consolidated statements of changes in unrestricted net assets include unrestricted contributions designated by the University for endowment or investment in buildings and equipment, investment return in excess of or less than the amount distributed for operations under the spending policy, any gains or losses on debt-related derivative instruments, and certain net pension and postretirement benefits-related changes in net assets. Other non-operating changes in unrestricted net assets include the net activities of the consolidated limited liability company described in *Note 6* and *Note 11*, the effect of changes in donor intent with respect to endowment and other funds, and other activities considered unusual or non-recurring in nature. Non-operating net assets released from restrictions generally reflect the expenditure of net assets restricted to investment in land, buildings and equipment.

GRANTS AND CONTRACTS

The University recognizes revenues on grants and contracts for research and other sponsored programs as the awards for such programs are expended. Indirect cost recovery by the University on U.S. government grants and contracts is based upon a predetermined negotiated rate and is recorded as unrestricted revenue. Advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed.

AUXILIARY ENTERPRISES

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty and staff. Managed as essentially self-supporting activities, the University's auxiliaries consist principally of residence and dining halls, intercollegiate athletics, college stores and other campus retail operations. Auxiliary enterprise revenues and related expenses are reported as changes in unrestricted net assets.

CASH AND CASH EQUIVALENTS

Resources invested in money market funds, overnight reverse repurchase agreements and other short-term investments with maturities at date of purchase of three months or less are classified as cash equivalents, except that any such investments purchased by external investment managers are classified as investments. Overnight reverse repurchase agreements with banks are secured by U.S. Government securities. Substantially all cash and cash equivalents are concentrated in accounts in which balances exceed Federal Deposit Insurance Corporation limits.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at face value and typically have contractual maturities of less than one year.

CONTRIBUTIONS RECEIVABLE

Pledges that represent unconditional promises to give are recognized at fair value as contributions – either temporarily restricted or permanently restricted – in the period such promises are made by donors. Contributions recognized as such during the year ended June 30, 2009 and subsequent periods are discounted at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Contributions recognized in prior periods under such commitments were recorded at a discount based on a U.S. Treasury rate. Amortization of the discounts is recorded as additional contribution revenue. Allowance is made for uncollectible contributions based upon management's expectations regarding collection of outstanding promises to give and past collection experience.

NOTES RECEIVABLE

Notes receivable, which are recorded at face value, principally represent amounts due from students under Perkins and other U.S. government sponsored loan programs. A general allowance is made for uncollectible student loans after considering both long-term collection experience and current trends, such as recent default rates of cohorts entering repayment status. Other notes receivable are evaluated individually for impairment, with allowances recorded based on management's expectations given facts and circumstances related to each note.

INVESTMENTS

Investments are stated at estimated fair value. The University measures the fair values of investments in securities at the last sales price of the fiscal year on the primary exchange where the security is traded. Non-exchange-traded instruments and over-the-counter positions are primarily valued using independent pricing services, broker quotes or models with externally verifiable inputs. The fair values of alternative investments (interests in private equity, hedge, real estate and other similar funds) for which quoted market prices are not available are generally measured based on reported partner's capital or net asset value ("NAV") provided by the associated external investment managers. The reported partner's capital or NAV is subject to management's assessment that the valuation provided is representative of fair value. Management exercises diligence in assessing the policies, procedures and controls implemented by its external investment managers, and thus believes the carrying amount of these assets represents a reasonable estimate of fair value. However, because alternative investments are generally not readily marketable, their estimated value is subject to inherent uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

As described in *Note 12*, the University utilizes certain derivative instruments to manage risks associated with its investment portfolio. These instruments are stated at fair value. Open futures and options contracts are primarily valued at the closing exchange quotations on the last business day of the fiscal year. The fair value of certain over-the-counter contracts for which market quotations are not readily available is based upon third party pricing services, broker quotes or models with externally verifiable inputs. When appropriate, independent appraisers may also be engaged to assist in the valuation of such instruments. The fair value of forward currency exchange contracts is estimated using quotes obtained from foreign exchange dealers. Where management believes a legal right of offset exists under an enforceable netting agreement, the fair value of these contracts is reported on a net-by-counterparty basis. Gains or losses resulting from changes in the fair value of derivative instruments associated with the investment portfolio or periodic net cash settlements with counterparties are recorded as gains or losses on investments.

Investments Held on Behalf of Other Entities

The University serves as the trustee for its employees' defined benefit pension plan, managing the investment assets held within the plan. The University also invests capital on behalf of religious affiliates that share the University's Catholic ministry and educational missions. Accordingly, the University reports an equal asset and liability in the consolidated statements of financial position representing the fair value of investments managed on behalf of these entities.

DEBT-RELATED DERIVATIVE INSTRUMENTS

The University utilizes derivative instruments in a limited manner outside of its investment portfolio. As described in *Notes 11* and *12*, interest rate swap agreements are used to manage interest rate risk associated with variable rate bond obligations. These instruments are reported in the consolidated statements of financial position at fair value. Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments. Any gains or losses resulting from changes in the fair value of these instruments or periodic net cash settlements with counterparties, including settlements related to the termination of such instruments, are recognized as non-operating changes in unrestricted net assets.

LAND, BUILDINGS AND EQUIPMENT

Institutional properties are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, averaging 15 years for land improvements, 25-50 years for buildings and 5-25 years for equipment.

The University does not capitalize the cost of library books, nor the cost or fair value of its art collection. The latter is held for exhibition and educational purposes only and not for financial gain.

Conditional Asset Retirement Obligations

The University recognizes asset retirement obligations when incurred. A discounting technique is used to calculate the present value of the capitalized asset retirement costs and the related obligation. Asset retirement costs are depreciated over the estimated remaining useful life of the related asset and the asset retirement obligation is accreted annually to the current present value. Upon settlement of an obligation, any difference between the retirement obligation and the cost to settle is recognized as a gain or loss in the consolidated statement of changes in unrestricted net assets. The University's conditional asset retirement obligations relate primarily to asbestos remediation and will be settled upon undertaking associated renovation projects.

SPLIT-INTEREST AGREEMENTS

The University's split-interest agreements consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee. Contribution revenue is recognized at the date a gift annuity or trust is established after recording a liability at fair value of the estimated future payments to be made to beneficiaries. Estimated future payments to beneficiaries are discounted at a risk-adjusted rate. Liabilities are adjusted during the terms of the agreements to reflect payments to beneficiaries, returns on trust assets, accretion of discounts and other considerations that affect the estimates of future payments. Net adjustments to the liabilities are recorded as changes in the value of split-interest agreements.

FAIR VALUE MEASUREMENTS

Fair value measurements reflected in the consolidated financial statements conceptually represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect the University's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are described briefly as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability, used in situations in which little or no market activity exists for the asset or liability at the measurement date.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level input that is significant to the overall fair value measurement for a given asset or liability.

In the event that changes in the inputs used in the fair value measurement of an asset or liability results in a transfer of the fair value measurement to a different categorization (e.g. from Level 3 to Level 2), such transfers between fair value categories are recognized at the end of the reporting period.

During the year ended June 30, 2015, the University adopted the guidance in Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Accordingly, fair value measurements of investment assets for which the measurement was based on NAV (or its equivalent) as provided by an external manager are categorized outside the fair value hierarchy (i.e. Level 1 through Level 3) in fair value information disclosed in *Note 6* and *Note 13*. Fair value hierarchy information as of and for the year ended June 30, 2014 has been reclassified to conform to this presentation.

USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 18, 2015, the date the financial statements were issued. No events requiring disclosure were identified.

TAX STATUS

The University is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except to the extent the University generates unrelated business income.

RECLASSIFICATIONS

Certain fiscal 2014 amounts within the consolidated statements of cash flows have been reclassified to conform to 2015 presentation.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

NOTE 2.
ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows at June 30:

	2015	2014
Research and other sponsored programs support	$ 22,180	$ 17,310
Student receivables	1,682	1,716
Other receivables	17,257	10,649
	41,119	29,675
Less allowances for uncollectible amounts	499	636
	$ 40,620	$ 29,039

Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2015 and 2014.

NOTE 3.
DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets are summarized as follows at June 30:

	2015	2014
Prepaid expenses	$ 25,513	$ 23,083
Retail and other inventories	8,943	10,027
Goodwill	6,455	-
Beneficial interests in perpetual trusts (*Note 14*)	5,581	5,720
Debt-related derivative instruments (*Note 12*)	4,502	3,830
Other deferred charges	5,208	4,707
	$ 56,202	$ 47,367

NOTE 4.
CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

	2015	2014
Unconditional promises expected to be collected in:		
Less than one year	$ 133,716	$ 98,453
One year to five years	242,524	164,677
More than five years	186,206	156,440
	562,446	419,570
Less:		
Unamortized discounts	109,944	90,148
Allowances for uncollectible amounts	19,034	22,247
	128,978	112,395
	$ 433,468	$ 307,175

Contributions receivable are discounted at rates ranging from 0.22 percent to 6.91 percent at June 30, 2015 and 2014. Activity within allowances for uncollectible amounts was insignificant during the years ended June 30, 2015 and 2014.

(All amounts in thousands)

Contributions receivable, net, are summarized by net asset classification as follows at June 30:

	2015	2014
Temporarily restricted for:		
Operating purposes	$ 45,535	$ 43,658
Investment in land, buildings and equipment	170,504	114,177
Funds functioning as endowment (*Note 15*)	11,234	10,394
Total temporarily restricted (*Note 14*)	227,273	168,229
Permanently restricted for endowment (*Notes 14 and 15*)	206,195	138,946
	$ 433,468	$ 307,175

As of June 30, 2015, the University had received documented conditional pledges of $34,580 which are not reflected in the accompanying consolidated financial statements. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 5.
NOTES RECEIVABLE

Notes receivable are summarized as follows at June 30:

	2015	2014
Student notes receivable, related to:		
Government sponsored loan programs	$ 31,573	$ 32,849
Institutional student loans	702	845
	32,275	33,694
Less allowances for uncollectible student notes	2,203	2,153
	30,072	31,541
Other notes receivable	14,620	14,384
	$ 44,692	$ 45,925

Government advances to the University for student loan funding, primarily under the Perkins Loan program, totaled $29,914 and $29,670 at June 30, 2015 and 2014, respectively. Due to significant restrictions that apply to government sponsored student loans, determining the fair value of student notes receivable is not practicable.

Total balances on student notes receivable in past due status were $2,923 and $2,918 at June 30, 2015 and 2014, respectively. The delinquent portions of these balances were $1,800 and $1,709, respectively. Activity within allowances for uncollectible student notes was insignificant.

The estimated fair value of non-student notes receivable approximated the carrying amount at June 30, 2015 and 2014.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

NOTE 6.
INVESTMENTS

Investments reflected in the consolidated statements of financial position are summarized as follows at June 30:

	2015	2014
Notre Dame Endowment Pool assets	$ 10,400,662	$ 9,771,512
Other investments, associated with:		
Endowment and funds functioning as endowment	47,468	53,583
Working capital and other University designations	85,530	20,619
Split-interest agreements (*Note 16*)	10,521	14,290
Defined benefit pension plan (*Note 13*)	155,778	152,948
	299,297	241,440
	$ 10,699,959	$ 10,012,952

Liabilities associated with investments include the following at June 30:

	2015	2014
Notre Dame Endowment Pool liabilities	$ 211	$ 63
Liabilities representing the fair value of investments held on behalf of:		
Religious affiliates	632,961	592,774
Defined benefit pension plan (*Note 13*)	155,778	152,948
	$ 788,950	$ 745,785

The Notre Dame Endowment Pool ("NDEP") represents the University's primary investment portfolio. Certain investments, however, are held in specific instruments outside the NDEP to comply with donor requirements or other considerations. The pooled assets and liabilities of the NDEP are summarized as follows at June 30:

	2015	2014
NDEP assets	$ 10,400,662	$ 9,771,512
NDEP liabilities[1] (*Note 12*)	(211)	(63)
NDEP net assets reflected within the financial statements	10,400,451	9,771,449
Equity interest in consolidated company[2]	53,541	40,741
NDEP net assets unitized	$ 10,453,992	$ 9,812,190

[1]Represents the fair value of derivative instrument liabilities.

[2]The University is the sole owner of a limited liability company, the assets and liabilities of which are reflected in the consolidated financial statements. However, the estimated fair value of the University's equity interest in the company, $53,541 and $40,741 at June 30, 2015 and 2014, respectively, is included in NDEP net assets for unitization purposes.

Transactions within participating funds that constitute additions to or withdrawals from the NDEP are unitized on a quarterly basis. The unitized net assets of the NDEP were attributable to the following at June 30:

	2015	2014
Endowment and funds functioning as endowment	$ 8,476,201	$ 7,944,227
Working capital and other University designations	1,132,904	1,083,529
Student loan funds	995	925
Split-interest agreements (*Note 16*)	210,931	190,735
Funds invested on behalf of religious affiliates[3]	632,961	592,774
	$ 10,453,992	$ 9,812,190

[3]NDEP holdings were redeemable by religious affiliates at $4,688.24 and $4,371.38 per unit (whole dollars) at June 30, 2015 and 2014, respectively.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

The NDEP is comprised primarily of endowment-related holdings. As such, its investment objectives seek to preserve the real purchasing power of the endowment, while providing a stable source of financial support to its beneficiary programs. To satisfy its long-term rate of return objectives, the NDEP relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The NDEP maintains a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Investment assets are summarized in the following tables by asset class at June 30, 2015 and 2014, respectively:

	2015		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 308,134	$ 741	$ 308,875
Public equities	4,236,117	74,245	4,310,362
Fixed income securities	497,748	59,262	557,010
Marketable alternatives	1,300,601	402	1,301,003
Private equity	2,966,666	3,133	2,969,799
Real estate	670,123	5,736	675,859
Other real assets	421,273	-	421,273
	10,400,662	143,519	10,544,181
Defined benefit pension plan investments (*Note 13*)	-	155,778	155,778
	$ 10,400,662	$ 299,297	$ 10,699,959

	2014		
	NDEP	*Other Investments*	*Total*
Short-term investments	$ 362,973	$ 651	$ 363,624
Public equities	3,685,945	72,063	3,758,008
Fixed income securities	486,059	8,077	494,136
Marketable alternatives	1,178,771	378	1,179,149
Private equity	2,770,434	2,758	2,773,192
Real estate	692,434	4,565	696,999
Other real assets	594,896	-	594,896
	9,771,512	88,492	9,860,004
Defined benefit pension plan investments (*Note 13*)	-	152,948	152,948
	$ 9,771,512	$ 241,440	$ 10,012,952

Short-term investments include cash and cash equivalents, money market funds, securities with short-term maturities (such as commercial paper and government securities held either directly or via commingled pools with daily liquidity) and the fair value of certain derivative instrument assets (see *Note 12* for further information about derivative instruments). Public equities cover the U.S. as well as both developed and emerging markets overseas, and long/short hedge funds. Marketable alternatives encompass other hedge fund strategies less correlated with broad equities markets. This includes credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically, and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. Private equity primarily includes domestic and foreign buyout and venture capital funds. Other real assets represents investments in energy and commodities.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

NDEP investments are primarily invested with external managers. The University is committed under contracts with certain external managers to periodically advance additional funding as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. Uncalled commitments related to NDEP investments are summarized by investment class as follows at June 30:

	2015	2014
Public equities	$ 31,038	$ 25,364
Marketable alternatives	153,835	217,981
Private equity	1,035,584	1,085,667
Real estate	150,945	197,155
Other real assets	204,435	139,516
	$ 1,575,837	$ 1,665,683

The following tables reflect fair value measurements of investment assets (excluding defined benefit pension plan assets) at June 30, 2015 and 2014, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

2015	*Level 1*	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 287,381	$ 2,135	$ -	$ 19,359	$ 308,875
Public equities:					
U.S.	819,723	-	-	535,991	1,355,714
Non-U.S.	373,861	-	-	1,238,141	1,612,002
Long/short strategies	-	-	-	1,342,646	1,342,646
Fixed income securities	132,998	172,964	1,770	249,278	557,010
Marketable alternatives	-	-	-	1,301,003	1,301,003
Private equity	-	-	3,133	2,966,666	2,969,799
Real estate	65,996	-	5,579	604,284	675,859
Other real assets	386	290	132,771	287,826	421,273
	$ 1,680,345	$ 175,389	$ 143,253	$ 8,545,194	$ 10,544,181

2014	*Level 1*	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 260,860	$ 102,764	$ -	$ -	$ 363,624
Public equities:					
U.S.	716,159	-	-	460,802	1,176,961
Non-U.S.	212,432	-	-	1,228,922	1,441,354
Long/short strategies	-	-	-	1,139,693	1,139,693
Fixed income securities	118,704	53,990	-	321,442	494,136
Marketable alternatives	-	-	-	1,179,149	1,179,149
Private equity	-	-	75,033	2,698,159	2,773,192
Real estate	38,517	-	4,415	654,067	696,999
Other real assets	489	-	199,143	395,264	594,896
	$ 1,347,161	$ 156,754	$ 278,591	$ 8,077,498	$ 9,860,004

Certain short-term investments and fixed income securities categorized within Level 2 are not traded in active markets but are measured using pricing sources such as broker quotes, or using models with externally verifiable inputs, such as relevant interest or exchange rates.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

Investments in funds within public equities and marketable alternatives measured at NAV (or its equivalent) are generally subject to restrictions that limit the University's ability to withdraw capital within the near term. Redemption terms for these funds typically restrict withdrawals of capital for a defined "lock-up" period after investment, and thereafter allow withdrawals on a quarterly or annual basis with notice periods ranging from 30 to 180 days. Lock-up periods for such funds generally expire within three years after the measurement date. In addition, investor capital in these funds attributable to illiquid investments, often referred to as "side pockets," generally is not available for redemption until the investments are realized by the fund. Investments in funds measured at NAV within fixed income are not subject to lockups and generally allow for withdrawals on a daily or monthly basis. Most funds measured at NAV within private equity, real estate and other real assets, as well as certain marketable alternatives funds, are not redeemable at the direction of the investor. These funds make distributions to investing partners as the underlying assets of the funds are liquidated. The University expects the underlying assets of these funds to be substantially liquidated over the next five to ten years, the timing of which would vary by fund and depend on market conditions as well as other factors.

At June 30, 2014, the fair value of a single Level 3 investment in private company stock was measured based on recent transaction activity. The $72,275 fair value of the investment was reflected within Level 3 private equity investments at June 30, 2014, as the University's shares were subject to a restriction on liquidation that extended until January 2015. The shares were liquidated prior to June 30, 2015.

At June 30, 2015 and 2014, the fair value of a Level 3 partnership investment was measured using a discounted cash flow technique, the significant unobservable input to which is the discount rate (10%). The fair value of the investment was $132,771 and $199,143 at June 30, 2015 and 2014, respectively.

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2015:

	Beginning Balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized gain/(loss)*	*Ending Balance*
Fixed income securities	$ -	$ 2,244	$ (467)	$ (7)	$ 1,770
Private equity	75,033	942	(85,989)	13,147	3,133
Real estate	4,415	1,164	-	-	5,579
Other real assets	199,143	-	(27,225)	(39,147)	132,771
	$ 278,591	$ 4,350	$ (113,681)	$ (26,007)	$ 143,253

During the year ended June 30, 2015, the University recognized net unrealized losses of $63,444 on investments still held at June 30, 2015 for which fair value is measured using Level 3 inputs. There were no transfers between levels during the year ended June 30, 2015.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

Changes in investments (excluding defined benefit pension plan assets) for which fair value is measured based on Level 3 inputs are summarized below for the year ended June 30, 2014:

	Beginning Balance	*Acquisitions*	*Dispositions*	*Net realized/ unrealized gain/(loss)*	*Ending Balance*
Private equity	$ 71,520	$ 893	$ (1,408)	$ 4,028	$ 75,033
Real estate	1,770	2,645	-	-	4,415
Other real assets	168,066	5,645	(15,444)	40,876	199,143
	$ 241,356	$ 9,183	$ (16,852)	$ 44,904	$ 278,591

During the year ended June 30, 2014, the University recognized net unrealized gains of $30,701 on investments still held at June 30, 2014 for which fair value is measured using Level 3 inputs. There were no transfers between levels during the year ended June 30, 2014.

Due to the pooled nature of assets held in the NDEP, a portion of any unrealized gains or losses is attributed to NDEP holdings of split-interest agreements and the University's religious affiliates.

INVESTMENT RETURN

Investment return as reflected in the consolidated statements of changes in net assets is summarized as follows for the years ended June 30:

	2015	**2014**
Investment income, net	$ 89,755	$ 114,917
Net gain on investments:		
Realized gains, net	617,263	499,162
Unrealized gains, net	32,418	868,732
	649,681	1,367,894
	$ 739,436	$ 1,482,811

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	**2015** *Total*	**2014** *Total*
Investment income, net	$ 41,843	$ 45,836	$ 2,076	$ 89,755	$ 114,917
Net gain on investments	298,770	350,880	31	649,681	1,367,894
	$ 340,613	$ 396,716	$ 2,107	$ 739,436	$ 1,482,811

Investment income is reported net of related expenses of $49,282 and $38,381 for the years ended June 30, 2015 and 2014, respectively. Investment-related expenses consist of fees paid to external investment managers, as well as expenses related to internal investment office operations.

(All amounts in thousands)

A portion of accumulated investment returns is distributed annually to beneficiary programs under the University's endowment spending policy. In addition, a portion of unrestricted returns accumulated on working capital and other assets is distributed to supplement the University's general operating needs and other initiatives. Accumulated investment return distributed is summarized by source as follows for the years ended June 30:

	Unrestricted		*Temporarily*	**2015**	**2014**
	Operating	*Non-operating*	*restricted*	*Total*	*Total*
Endowment (*Note 15*)	$ 70,696	$ 16,424	$ 197,534	$ 284,654	$ 270,748
Working capital	34,219	-	-	34,219	29,885
	$ 104,915	$ 16,424	$ 197,534	$ 318,873	$ 300,633

NOTE 7.
LAND, BUILDINGS AND EQUIPMENT

The following is a summary of land, buildings and equipment at June 30:

	2015	**2014**
Land and land improvements	$ 153,730	$ 148,568
Buildings	1,586,202	1,538,367
Equipment	279,993	270,643
Construction in progress	177,841	49,488
	2,197,766	2,007,066
Less accumulated depreciation	682,643	624,336
	$ 1,515,123	$ 1,382,730

Depreciation expense was $63,139 and $60,667 for the years ended June 30, 2015 and 2014, respectively.

The University recorded accounts payable associated with construction in progress costs of $44,930 and $14,929 at June 30, 2015 and 2014, respectively.

Changes in conditional asset retirement obligations are summarized as follows for the years ended June 30:

	2015	**2014**
Beginning of year	$ 24,813	$ 23,443
Obligations settled	(675)	(586)
Accretion expense	873	845
Revisions in estimated cash flows	-	1,111
End of year	$ 25,011	$ 24,813

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

NOTE 8.
SHORT-TERM BORROWING

The University maintains a $200,000 commercial paper program under which it may issue either standard or extendible municipal commercial paper through St. Joseph County, Indiana on behalf of the University. Standard municipal commercial paper issues are supported by a $200,000 standby credit facility with a major commercial bank. Interest on commercial paper may be either taxable or tax-exempt to investors, depending on the University's intended use of the proceeds. Generally, tax-exempt commercial paper is issued to finance the purchase of equipment and improvements to educational facilities, while taxable commercial paper is issued to provide funding for general uses.

The University also maintains unsecured lines of credit with commercial banks in the aggregate amount of $325,000 to be utilized primarily for working capital purposes. Termination dates on lines of credit available at June 30, 2015 ranged from January 2016 to April 2018.

Total outstanding balances on short-term borrowing are summarized below at June 30:

	2015	2014
Standard taxable commercial paper	$ 37,015	$ 85,038
Lines of credit	8,000	58,000
	$ 45,015	$ 143,038

Total interest costs incurred on short-term borrowing were approximately $326 and $291 for the years ended June 30, 2015 and 2014, respectively.

NOTE 9.
DEFERRED REVENUE AND REFUNDABLE ADVANCES

Deferred revenue and refundable advances are summarized as follows at June 30:

	2015	2014
Deferred ticket sales and other revenues from intercollegiate athletics	$ 27,297	$ 47,309
Deferred tuition and other student revenues	12,650	11,190
Refundable advances for research and other sponsored programs	30,115	22,787
Other deferred revenues	2,233	2,321
	$ 72,295	$ 83,607

NOTE 10.
DEPOSITS AND OTHER LIABILITIES

Deposits and other liabilities are summarized as follows at June 30:

	2015	2014
Accrued compensation and employee benefits	$ 56,912	$ 42,969
Payroll and other taxes payable	11,579	11,746
Accrued interest expense	11,709	6,552
Debt-related derivative instruments (Note 12)	7,314	11,922
Student organization funds and other deposits	6,186	7,755
Self-insurance reserves	6,749	8,090
Pledges payable and other liabilities	15,370	8,128
	$ 115,819	$ 97,162

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

NOTE 11.
BONDS AND NOTES PAYABLE

Bonds and notes payable consist of the following at June 30:

	2015	2014
Obligations of the University:		
Taxable Fixed Rate Bonds	$ 660,000	$ 260,000
St. Joseph County (Indiana) Educational Facilities Revenue Bonds[1]	160,963	356,252
Mortgage notes payable	15,435	15,435
	836,398	631,687
Obligations of consolidated company:		
Mortgage note payable	47,230	36,845
	$ 883,628	$ 668,532

[1]*Includes the unamortized Series 2009 bond premium of $6,508 and $6,687 at June 30, 2015 and 2014, respectively.*

The estimated fair value of bond and note obligations was $898,444 and $724,214 at June 30, 2015 and 2014, respectively. Fair value measurements of bonds and notes are based on observable interest rates and maturity schedules that fall within Level 2 of the hierarchy of fair value inputs. The aggregate scheduled maturities of bonds and notes payable are summarized by fiscal year as follows:

2016	$ 832
2017	1,393
2018	1,435
2019	1,479
2020	1,524
Thereafter	870,457
	$ 877,120

TAXABLE FIXED RATE BONDS

Proceeds from Taxable Fixed Rate Bonds bear no restrictions on use and constitute unsecured general obligations of the University. The associated interest is taxable to investors. The following issues were outstanding at June 30:

	Year of maturity	*Rate of interest*	2015	2014
Series 2010	2041	4.90%	$ 160,000	$ 160,000
Series 2012	2043	3.72%	100,000	100,000
Series 2015	2045	3.44%	400,000	-
			$ 660,000	$ 260,000

Proceeds from the Series 2015 bonds were net of $1,429 in underwriters' discounts, which are reflected within operating expenses for the year ended June 30, 2015.

Interest costs incurred on Taxable Fixed Rate Bonds were $17,644 and $12,595 during the years ended June 30, 2015 and 2014, respectively.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

ST. JOSEPH COUNTY (INDIANA) EDUCATIONAL FACILITIES REVENUE BONDS

The proceeds from St. Joseph County (Indiana) Educational Facilities Revenue Bonds ("SJC bonds") were restricted to the campus facilities projects specified in the respective offering documents. SJC bonds represent general obligations of the University and are not collateralized by any facilities. Interest on SJC bonds is tax-exempt to investors. The following issues were outstanding at June 30:

	Year of maturity	*Current rate of interest*	**2015**	**2014**
Issues bearing variable rates:				
Series 2003	2038[1]		$ -	$ 45,110
Series 2005	2040[1]		-	75,000
Series 2007	2042[1]		-	75,000
			-	195,110
Issues bearing fixed rates:				
Series 1996	2026	6.50%	7,890	7,890
Series 2009[2]	2036	5.00%	153,073	153,252
			160,963	161,142
			$ 160,963	$ 356,252

[1]*Refunded during the year ended June 30, 2015.*

[2]*Carrying amount includes the unamortized premium of $6,508 and $6,687 at June 30, 2015 and 2014, respectively.*

The University utilizes interest rate swap agreements (see also *Note 12*) as a strategy for managing interest rate risk associated with variable rate SJC bond issues. After refunding each of the variable rate SJC bond issues during the year ending June 30, 2015, the swaps associated with these bonds were restructured to forward starting swaps in anticipation of a future variable rate bond issue. Under the terms of the restructured swap agreements in effect at June 30, 2015, the University will pay fixed rates ranging from 2.83 percent to 7.10 percent and receive variable rates equal to 100 percent of the one-month or three-month London Interbank Offered Rate ("LIBOR") on total notional amounts of $154,894 beginning on March 1, 2018, with no periodic settlements in the interim. The University incurred an upfront cost of $8,329 to restructure the swaps, which is recognized as a non-operating change in unrestricted net assets during the year ended June 30, 2015. The estimated fair value of interest rate swaps was a net unrealized loss position of $2,812 and $8,092 at June 30, 2015 and 2014, respectively.

Interest costs incurred on SJC bonds and periodic net settlements paid to counterparties pursuant to associated interest rate swaps are summarized below for the years ended June 30:

	2015		**2014**	
	Interest expense[1]	*Net periodic settlements*	*Interest expense[1]*	*Net periodic settlements*
Issues bearing variable rates	$ 29	$ 3,787	$ 75	$ 5,276
Issues bearing fixed rates	7,482	-	7,670	-
	$ 7,511	$ 3,787	$ 7,745	$ 5,276

[1]*Includes amortization of Series 2009 premium of $179 and $171 for the years ended June 30, 2015 and 2014, respectively. The premium is amortized using the effective interest method over the period the bonds are outstanding.*

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MORTGAGE NOTES

Mortgage notes in the amount of $15,435 bear interest at a fixed rate of 1.103 percent and are due on July 1, 2042. These notes are collateralized by the facilities to which they relate. The University incurred interest costs of $173 on the notes during the years ended June 30, 2015 and 2014.

The University is the sole owner of a limited liability company, the activities of which are reflected in the University's consolidated financial statements. The company's assets consist primarily of real estate, the acquisition of which was financed in part with a note payable, the outstanding balance of which was refinanced during the year ended June 30, 2015. The company obtained additional proceeds of $11,002 in the refinancing, which is reflected in the $47,230 principal balance outstanding at June 30, 2015. Under the new terms, the note bears interest at a fixed rate of 4.11 percent, and is due on February 1, 2025. The note is not a general obligation of the University and is fully collateralized by the property mortgaged. Interest costs of $1,929 and $2,031 related to the note are reflected within non-operating changes in unrestricted net assets for the years ended June 30, 2015 and 2014, respectively.

NOTE 12.
DERIVATIVE INSTRUMENTS

The University utilizes a variety of derivative instruments within the NDEP, including certain options contracts, forward currency contracts and futures contracts. As described in *Note 11*, the University also utilizes interest rate swap agreements to manage interest rate risk associated with its variable rate bond obligations.

Derivatives by their nature bear, to varying degrees, elements of market risk and credit risk that are not reflected in the amounts recorded in financial statements. Market risk in this context represents the potential for changes in the value of derivative instruments due to levels of volatility and liquidity or other events affecting the underlying asset, reference rate, or index, including those embodied in interest and foreign exchange rate movements and fluctuations in commodity or security prices. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of a contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the consolidated statements of financial position, not the notional amounts of the instruments, and is further limited by the collateral arrangements as specified for specific instruments.

Collateral associated with NDEP derivatives is moved as required by market fluctuations, and is generally in the form of cash or cash equivalents. Interest rate swaps described in *Note 11* have credit-risk-related contingent features that could require the University to post collateral on instruments in net liability positions in the event of a downgrade to the rating on the University's debt. The aggregate fair value of interest rate swaps with credit-risk-related contingent features that were in liability positions was $7,314 and $11,922 at June 30, 2015 and 2014, respectively. If the credit-risk-related contingent features associated with these instruments had been triggered, the University would have been required to post collateral to its counterparties in an amount up to the full liability position of the instruments, depending on the level of the University's credit rating. Based on the quality of its credit rating, the University had posted no collateral associated with these instruments at June 30, 2015.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

The estimated fair values of derivative assets and liabilities at June 30, 2015 and 2014, respectively, are summarized in the below along with the net gains and losses for the respective years then ended:

	2015			
	Notional amounts	*Derivative assets*	*Derivative liabilities*	*Net gain/(loss)*
NDEP derivatives:				
Interest rate contracts[1]	$ 511,024	$ 628	$ -	$ (1,528)
Forward currency contracts[1]	3,252	-	2	(328)
Futures contracts[2]	103,723	111	209	1,974
		$ 739	$ 211	$ 118
Debt-related derivatives:				
Interest rate contracts[1,3]	$ 154,894	$ 4,502	$ 7,314	$ (6,836)

	2014			
	Notional amounts	*Derivative assets*	*Derivative liabilities*	*Net gain/(loss)*
NDEP derivatives:				
Interest rate contracts[1]	$ 511,024	$ 2,155	$ -	$ (5,678)
Equity contracts[1]	-	-	-	9,402
Forward currency contracts[1]	1,002	-	1	(224)
Futures contracts[2]	107,194	23	62	1,363
		$ 2,178	$ 63	$ 4,863
Debt-related derivatives:				
Interest rate contracts[1]	$ 188,755	$ 3,830	$ 11,922	$ (6,560)

[1]*Fair value measurements of over-the-counter derivative instruments are based on observable inputs, such as relevant interest rates and commodity prices, that fall within Level 2 of the hierarchy of fair value inputs.*

[2]*Futures contracts are exchange-traded. Fair value is based on quoted prices that fall within Level 1 of the hierarchy of fair value inputs. Notional amounts on futures represent long exposures at June 30, 2015 and 2014.*

[3] *The net loss on interest rate contracts includes $8,329 in restructuring costs incurred during the year ending June 30, 2015 as described in Note 11.*

Gross and net-by-counterparty derivative assets and liabilities were substantially the same at June 30, 2015 and 2014.

(All amounts in thousands)

Derivative assets and liabilities are reflected within the following lines of the consolidated statements of financial position at June 30:

	2015	2014
NDEP derivatives:		
Investments[1]	$ 739	$ 2,178
Liabilities associated with investments (*Note 6*)	211	63
Debt-related derivatives:		
Deferred charges and other assets (*Note 3*)	$ 4,502	$ 3,830
Deposits and other liabilities (*Note 10*)	7,314	11,922

[1]Reflected within the "Short-term investments" investment class in Note 6.

Certain options contracts may be employed within the NDEP with the intent of protecting the investment portfolio against significant fluctuations in interest rates, commodity prices and other market fluctuations. Interest rate contracts held in the NDEP are fully collateralized at June 30, 2015. Forward currency contracts are utilized to settle planned purchases or sales, for investment purposes, and to mitigate the impact of exchange rate fluctuations on the U.S. dollar value of NDEP international holdings. A variety of currency, interest rate, equity, bond and commodities futures contracts are also employed in the NDEP to manage exposure to various financial markets.

Gains and losses on derivative instruments held in the NDEP are primarily included in the net gain or loss on investments as reflected in the consolidated financial statements. However, due to the pooled nature of the NDEP, a minor portion of these gains and losses is attributed to NDEP holdings of split-interest agreements and the University's religious affiliates. The net gain or loss on debt-related derivatives (interest rate swaps associated with the University's variable rate bonds) is reported as such within non-operating changes in unrestricted net assets.

NOTE 13.
PENSION AND OTHER POSTRETIREMENT BENEFITS

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

Faculty and exempt staff participate in the University of Notre Dame 403(b) Retirement Plan, a defined contribution retirement plan, upon meeting eligibility requirements. The plan, operated under section 403(b) of the Internal Revenue Code, is funded by mandatory employee contributions and University contributions. All faculty and staff may also participate in the plan on a voluntary basis by making voluntary employee contributions up to the annual limit established by the Internal Revenue Service. Participants are immediately vested in the plan, and may direct their contributions and the University's contributions on their behalf to selected fund sponsors. The University's share of the cost of these benefits was $29,751 and $28,096 for the years ended June 30, 2015, and 2014, respectively.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

DEFINED BENEFIT PENSION PLAN AND POSTRETIREMENT MEDICAL INSURANCE BENEFITS

Retirement benefits are provided for University staff under a defined benefit pension plan, for which the University serves as trustee and administrator. This plan provides benefits for certain non-exempt staff after one year of qualifying service. Retirement benefits are based on the employee's total years of service and final average pay as defined by the plan. Plan participants are fully vested after five years of service. The University funds the plan with annual contributions that meet minimum requirements under the Employee Retirement Income Security Act of 1974 and Pension Protection Act of 2006.

Other postretirement benefit plans offered by the University provide either medical insurance benefits for retirees and their spouses or Health Reimbursement Accounts upon which Medicare-eligible retirees may draw to purchase individual Medicare supplemental coverage. Employees are eligible for such benefits if they retire after attaining specified age and service requirements while employed by the University. The plans hold no assets and are funded by the University as claims are paid.

The University recognizes the full funded status of its defined benefit pension and other postretirement benefit plans in the consolidated statements of financial position. Accordingly, the liability for pension benefits as recognized in the statement of financial position represents the excess of the actuarially determined projected benefit obligation ("PBO") over the fair value of plan assets at year end. The liability for other postretirement benefits as recognized in the consolidated statements of financial position represents the actuarially determined accumulated postretirement benefit obligation ("APBO") at year end. The following table summarizes the liabilities for pension and other postretirement benefits reflected in the consolidated statements of financial position at June 30:

	2015	2014
Liability for pension benefits:		
PBO at end of year	$ 246,470	$ 220,194
Less: Fair value of plan assets at end of year (*Note 6*)	155,778	152,948
	90,692	67,246
Liability for other postretirement benefits (APBO at year end)	45,676	40,434
	$ 136,368	$ 107,680

Changes in the actuarially determined benefit obligations are summarized below for the years ended June 30:

	Pension benefits (PBO)		*Other postretirement benefits (APBO)*	
	2015	**2014**	**2015**	**2014**
Beginning of year	$ 220,194	$ 196,505	$ 40,434	$ 36,475
Service cost	7,489	6,687	2,283	2,054
Interest cost	9,750	9,586	1,726	1,724
Plan amendments	-	-	(82)	(178)
Actuarial loss	16,600	14,610	2,189	1,306
Benefit payments	(7,563)	(7,194)	(874)	(947)
End of year	$ 246,470	$ 220,194	$ 45,676	$ 40,434

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

The accumulated benefit obligation associated with pension benefits was $212,744 and $190,236 at June 30, 2015 and 2014, respectively. The actuarial loss related to pension benefits reflects a change in the mortality assumptions for the year ended June 30, 2015.

The change in the fair value of pension plan assets is summarized below for the years ended June 30:

	2015	2014
Fair value of plan assets at beginning of year	$ 152,948	$ 132,045
Actual return on plan assets	3,441	18,755
Employer contributions	6,952	9,342
Benefit payments	(7,563)	(7,194)
Fair value of plan assets at end of year	$ 155,778	$ 152,948

The components of net periodic benefit cost recognized within operating expenses in the consolidated statements of changes in unrestricted net assets are summarized as follows for the years ended June 30:

	Pension benefits		*Other postretirement benefits*	
	2015	**2014**	**2015**	**2014**
Service cost	$ 7,489	$ 6,687	$ 2,283	$ 2,054
Interest cost	9,750	9,586	1,726	1,724
Expected return on plan assets	(10,346)	(10,031)	-	-
Amounts recognized previously as non-operating changes in net assets:				
Amortization of net loss	3,661	3,190	1,175	1,183
Amortization of prior service cost/(credit)	432	433	(7,675)	(7,659)
	4,093	3,623	(6,500)	(6,476)
	$ 10,986	$ 9,865	$ (2,491)	$ (2,698)

The amortization of any prior service cost or credit is determined using straight-line amortization over the average remaining service period of employees expected to receive benefits under the respective plans.

Gains or losses and other changes in the actuarially determined benefit obligations arising in the current period, but not included in net periodic benefit cost, are recognized as non-operating changes in the consolidated statements of changes in unrestricted net assets. These changes are reflected net of a contra-expense adjustment for amounts recognized previously, but included as components of net periodic benefit cost in the current period. Accordingly, the net non-operating decrease in unrestricted net assets related to pension and other postretirement benefits is summarized as follows for the years ended June 30:

	Pension benefits		*Other postretirement benefits*	
	2015	**2014**	**2015**	**2014**
Net actuarial loss	$ (23,505)	$ (5,886)	$ (2,189)	$ (1,306)
Plan amendments	-	-	82	178
Adjustment for components of net periodic benefit cost recognized previously	4,093	3,623	(6,500)	(6,476)
	$ (19,412)	$ (2,263)	$ (8,607)	$ (7,604)

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

Cumulative amounts recognized as non-operating changes in unrestricted net assets that had not yet been reflected within net periodic benefit cost are summarized as follows at June 30:

	Pension benefits		*Other postretirement benefits*	
	2015	**2014**	**2015**	**2014**
Net loss	$ 76,953	$ 57,109	$ 17,519	$ 16,505
Prior service cost/(credit)	2,261	2,693	(12,194)	(19,787)
	$ 79,214	$ 59,802	$ 5,325	$ (3,282)

The University expects to amortize the following as components of net periodic benefit cost during the year ending June 30, 2016:

	Pension benefits	*Other postretirement benefits*
Net loss	$ 4,498	$ 1,356
Prior service cost/(credit)	432	(7,675)

The following weighted-average assumptions were used in measuring the actuarially determined benefit obligations (PBO for pension benefits and APBO for other postretirement benefits) at June 30:

	Pension benefits		*Other postretirement benefits*	
	2015	**2014**	**2015**	**2014**
Discount rate	4.50%	4.50%	4.50%	4.50%
Rate of compensation increase	4.00%	4.00%		
Health care cost trend rate (grading to 5.00% in 2023)			7.50%	7.25%

The following weighted-average assumptions were used in measuring the actuarially determined net periodic benefit costs for the years ended June 30:

	Pension benefits		*Other postretirement benefits*	
	2015	**2014**	**2015**	**2014**
Discount rate	4.50%	5.00%	4.50%	5.00%
Expected long-term rate of return on plan assets	7.00%	7.75%		
Rate of compensation increase	4.00%	4.00%		
Health care cost trend rate (grading to 5.00% in 2021)			7.25%	7.50%

The expected long-term rate of return on pension plan assets is based on the consideration of both historical and forecasted investment performance, given the targeted allocation of the plan's assets to various investment classes.

A one-percentage-point increase in the assumed health care cost trend rate would have increased aggregate service and interest costs and the APBO associated with postretirement medical benefits by approximately $161 and $962, respectively. A one-percentage-point decrease in the assumed health care cost trend rate would have decreased aggregate service and interest costs and the APBO by approximately $144 and $879, respectively.

(All amounts in thousands)

The projected payments to beneficiaries under the respective plans for each of the five fiscal years subsequent to June 30, 2015 are as follows:

	Pension Benefits	*Other postretirement benefits*
2016	$ 8,244	$ 1,436
2017	8,778	1,684
2018	9,394	1,964
2019	10,113	2,241
2020	10,851	2,523

Projected aggregate payments for pension benefits and other postretirement benefits for the five year period ending June 30, 2025 are $67,245 and $16,698, respectively. The University's estimated contributions to the defined benefit pension plan for the year subsequent to June 30, 2015 are $11,000.

DEFINED BENEFIT PENSION PLAN ASSETS

The plan's assets are invested in a manner that is intended to preserve the purchasing power of the plan's assets and provide payments to beneficiaries. Thus, a rate of return objective of inflation plus 5.0 percent is targeted.

The investment portfolio of the plan, which is invested with external investment managers, is diversified in a manner that is intended to achieve the return objective and reduce the volatility of returns. The plan relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) over a long-term time horizon.

Actual and targeted allocations of the plan's investments by asset class were as follows at June 30:

	2015	**2014**	**Target**
Short-term investments	3.3%	3.1%	0.0%
Public equities	49.1%	47.4%	45.0%
Fixed income securities	17.1%	17.7%	15.0%
Hedge funds	18.2%	18.0%	20.0%
Private equity	8.3%	7.4%	10.0%
Real assets	4.0%	6.4%	10.0%
	100.0%	100.0%	100.0%

Asset allocation targets reflect the need for a modestly higher weighting in equity-based investments to achieve the return objective. Decisions regarding allocations among asset classes are made when such actions are expected to produce incremental return, reduce risk, or both. The investment characteristics of an asset class—including expected return, risk, correlation, and its overall role in the portfolio—are analyzed when making such decisions.

The role of each asset class within the overall asset allocation of the plan is described as follows:

Public equities – Provides access to liquid markets and serves as a long-term hedge against inflation.

Fixed income securities – Provides a stable income stream and greater certainty of nominal cash flow relative to the other asset classes. Given the low correlation to other asset classes, fixed income assets also enhance diversification and serve as a hedge against financial turmoil or periods of deflation.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

Hedge funds – Enhances diversification while providing equity-like returns and opportunities to benefit from short-term inefficiencies in global capital markets.

Private equity – Provides attractive long-term, risk-adjusted returns by investing in inefficient markets.

Real assets – Provides attractive return prospects, further diversification and a hedge against inflation.

Fair value measurements of plan investments at June 30, 2015 and 2014, respectively, are categorized below by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2015				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 5,162	$ -	$ -	$ -	$ 5,162
Public equities:					
U.S.	23,247	-	-	20,203	43,450
Non-U.S.	11,872	-	-	21,204	33,076
Fixed income securities	26,663	-	-	-	26,663
Hedge funds	-	-	-	28,392	28,392
Private equity	-	-	-	12,874	12,874
Real assets	2,395	-	-	3,766	6,161
	$ 69,339	$ -	$ -	$ 86,439	$ 155,778

	2014				
	Level 1	*Level 2*	*Level 3*	*NAV*	*Total*
Short-term investments	$ 4,717	$ -	$ -	$ -	$ 4,717
Public equities:					
U.S.	20,704	-	-	18,708	39,412
Non-U.S.	12,209	-	-	20,803	33,012
Fixed income securities	27,081	-	-	-	27,081
Hedge funds	-	-	-	27,591	27,591
Private equity	-	-	-	11,260	11,260
Real assets	3,793	-	-	6,082	9,875
	$ 68,504	$ -	$ -	$ 84,444	$ 152,948

The plan is committed under contracts with certain investment managers to periodically advance additional funding as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. Total commitments of $8,112 and $6,545 were uncalled at June 30, 2015 and 2014, respectively.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

NOTE 14.
NET ASSETS

Unrestricted net assets consist of the following at June 30:

	2015	2014
Endowment funds (*Note 15*)	$ 3,341,272	$ 3,142,115
Other unrestricted net assets	1,289,400	1,223,630
	$ 4,630,672	$ 4,365,745

Temporarily restricted net assets are summarized as follows at June 30:

	2015	2014
Expendable funds restricted for:		
Operating purposes	$ 172,590	$ 168,457
Investment in land, buildings and equipment	339,704	186,339
Split-interest agreements (*Note 16*)	61,305	62,693
Endowment funds (*Note 15*):		
Accumulated appreciation on donor-restricted endowment	3,136,278	2,964,550
Funds functioning as endowment	459,157	439,969
	3,595,435	3,404,519
	$ 4,169,034	$ 3,822,008

As described in *Note 4*, temporarily restricted net assets include contributions receivable of $227,273 and $168,229 at June 30, 2015 and 2014, respectively.

Net assets released from restrictions represent the satisfaction of time or purpose restrictions and are summarized below for the years ended June 30:

	2015	2014
For operations:		
Scholarships and fellowships awarded	$ 82,430	$ 78,067
Expenditures for operating purposes	141,589	132,683
	224,019	210,750
For buildings and equipment	10,257	42,475
	$ 234,276	$ 253,225

Permanently restricted net assets consist of the following at June 30:

	2015	2014
Endowment funds (*Note 15*)	$ 1,847,674	$ 1,642,462
Student loan funds	2,530	2,460
Split-interest agreements (*Note 16*)	19,318	22,911
Beneficial interests in perpetual trusts (*Note 3*)	5,581	5,720
	$ 1,875,103	$ 1,673,553

As reflected in *Notes 4* and *15*, permanently restricted endowment funds include $206,195 and $138,946 in contributions receivable at June 30, 2015 and 2014, respectively.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

NOTE 15.
ENDOWMENT

The University's endowment consists of individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds functioning as endowment, are classified and reported in accordance with any donor-imposed restrictions.

Endowment and funds functioning as endowment at June 30, 2015 are summarized below:

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 480,820	$ 1,316,360	$ 666,659	$ 2,463,839
Faculty chairs	133,473	1,016,075	318,918	1,468,466
Academic programs	270,494	481,736	235,520	987,750
General operations	1,320,773	69,819	8,879	1,399,471
Other	1,135,712	700,211	411,503	2,247,426
	3,341,272	3,584,201	1,641,479	8,566,952
Contributions receivable (*Note 4*)	-	11,234	206,195	217,429
	$ 3,341,272	$ 3,595,435	$ 1,847,674	$ 8,784,381

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Donor-restricted funds	$ (582)	$ 3,584,201	$ 1,641,479	$ 5,225,098
University-designated funds	3,341,854	-	-	3,341,854
	3,341,272	3,584,201	1,641,479	8,566,952
Contributions receivable (*Note 4*)	-	11,234	206,195	217,429
	$ 3,341,272	$ 3,595,435	$ 1,847,674	$ 8,784,381

Endowment and funds functioning as endowment at June 30, 2014 are summarized below:

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	*Total*
Funds established to support:				
Scholarships and fellowships	$ 462,235	$ 1,238,361	$ 614,385	$ 2,314,981
Faculty chairs	126,277	951,170	290,918	1,368,365
Academic programs	242,346	456,736	227,514	926,596
General operations	1,251,518	66,943	8,868	1,327,329
Other	1,059,739	680,915	361,831	2,102,485
	3,142,115	3,394,125	1,503,516	8,039,756
Contributions receivable (*Note 4*)	-	10,394	138,946	149,340
	$ 3,142,115	$ 3,404,519	$ 1,642,462	$ 8,189,096

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Donor-restricted funds	$ (424)	$ 3,394,125	$ 1,503,516	$ 4,897,217
University-designated funds	3,142,539	-	-	3,142,539
	3,142,115	3,394,125	1,503,516	8,039,756
Contributions receivable (*Note 4*)	-	10,394	138,946	149,340
	$ 3,142,115	$ 3,404,519	$ 1,642,462	$ 8,189,096

(All amounts in thousands)

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by donor stipulations when the timing of contributions coincides with unfavorable market fluctuations. Unrealized depreciation of this nature amounted to $582 and $424 at June 30, 2015 and 2014, respectively, as reflected in the preceding tables.

Endowment funds are invested primarily in the NDEP, described in *Note 6*. However, certain funds are invested outside of the NDEP in accordance with donor requirements and other considerations.

Changes in endowment and funds functioning as endowment for the years ended June 30, 2015 and 2014, respectively, are summarized as follows:

	2015			
	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Beginning of the year	$ 3,142,115	$ 3,404,519	$ 1,642,462	$ 8,189,096
Contributions	7,271	2,380	204,309	213,960
Investment return:				
Investment income	30,463	44,933	2,076	77,472
Net gain on investments	230,958	351,006	(38)	581,926
Accumulated investment return distributed (*Note 6*)	(87,120)	(197,534)	-	(284,654)
Other changes, net[1]	17,585	(9,869)	(1,135)	6,581
	$ 3,341,272	$ 3,595,435	$ 1,847,674	$ 8,784,381

	2014			
	Unrestricted	*Temporarily restricted*	*Permanently restricted*	*Total*
Beginning of the year	$ 2,692,444	$ 2,775,366	$ 1,491,241	$ 6,959,051
Contributions	18,494	3,000	149,833	171,327
Investment return:				
Investment income	39,177	57,841	2,609	99,627
Net gain on investments	476,678	740,521	183	1,217,382
Accumulated investment return distributed (*Note 6*)	(82,923)	(187,825)	-	(270,748)
Other changes, net[1]	(1,755)	15,616	(1,404)	12,457
	$ 3,142,115	$ 3,404,519	$ 1,642,462	$ 8,189,096

[1]Reflects the effects of changes in donor intent and management-directed allocations that result in additions to or withdrawals from endowment.

The University has adopted an endowment spending policy that attempts to meet three objectives: (1) provide a predictable, stable stream of earnings to fund participants; (2) ensure the purchasing power of this revenue stream does not decline over time; and (3) ensure the purchasing power of the endowment assets does not decline over time. Under this policy, as approved by the Board of Trustees, investment income, as well as a prudent portion of appreciation, may be appropriated to support the needs of fund participants.

(All amounts in thousands)

Accumulated investment return distributed (i.e. appropriated) under the University's endowment spending policy is summarized below by the purposes associated with applicable funds for the years ended June 30:

	Unrestricted	*Temporarily restricted*	**2015** *Total*	**2014** *Total*
Operating purposes:				
Scholarships and fellowships	$ 19,769	$ 80,420	$ 100,189	$ 95,629
Faculty chairs	5,493	51,233	56,726	54,630
Academic programs	1,127	29,489	30,616	29,180
Libraries	380	8,189	8,569	8,382
Other endowed programs	9,431	24,890	34,321	30,762
General operations	34,496	3,287	37,783	36,664
	70,696	197,508	268,204	255,247
Capital projects	16,424	26	16,450	15,501
	$ 87,120	$ 197,534	$ 284,654	$ 270,748

NOTE 16.
SPLIT-INTEREST AGREEMENTS

The University's split-interest agreements consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the University serves as trustee. Split-interest agreement net assets consisted of the following at June 30:

	Unrestricted	*Temporarily restricted (Note 14)*	*Permanently restricted (Note 14)*	**2015** *Total*	**2014** *Total*
Charitable trust assets, held in:					
NDEP (*Note 6*)	$ -	$ 135,416	$ 75,515	$ 210,931	$ 190,735
Other investments (*Note 6*)	-	7,466	3,055	10,521	14,290
	-	142,882	78,570	221,452	205,025
Less obligations[1] associated with:					
Charitable trusts	-	79,412	55,107	134,519	115,168
Charitable gift annuities	3,284	2,165	4,145	9,594	6,811
	3,284	81,577	59,252	144,113	121,979
	$ (3,284)	$ 61,305	$ 19,318	$ 77,339	$ 83,046

[1]*Represents the present value of estimated future payments to beneficiaries.*

Assets contributed pursuant to the University's charitable gift annuity program are not held in trust, and based on the nature of the agreements, are designated as funds functioning as endowment. The aggregate fair value of these assets was $27,923 and $24,208 at June 30, 2015 and 2014, respectively.

University of Notre Dame du Lac
Notes to Consolidated Financial Statements
(All amounts in thousands)

Changes in split-interest agreement net assets are summarized below for the years ended June 30:

	Unrestricted	*Temporarily restricted*	*Permanently restricted*	**2015** *Total*	**2014** *Total*
Contributions:					
Assets received	$ 104	$ 7,812	$ 7,761	$ 15,677	$ 17,638
Discounts recognized[1]	(70)	(4,888)	(5,520)	(10,478)	(12,007)
	34	2,924	2,241	5,199	5,631
Change in value of agreements:					
Investment return, net	-	11,038	5,795	16,833	32,785
Payments to beneficiaries	(386)	(9,228)	(4,614)	(14,228)	(11,031)
Actuarial adjustments and other changes in obligations	(655)	(5,121)	(5,880)	(11,656)	(2,193)
	(1,041)	(3,311)	(4,699)	(9,051)	19,561
Transfers and other changes, net	281	(1,001)	(1,135)	(1,855)	(7,519)
	$ (726)	$ (1,388)	$ (3,593)	$ (5,707)	$ 17,673

[1]Represents the present value of estimated future payments to beneficiaries.

NOTE 17.
GRANTS AND CONTRACTS

The University recognized operating revenues based on direct expenditures and related indirect costs funded by grants and contracts as follows for the years ended June 30:

	Direct	*Indirect*	**2015** *Total*	**2014** *Total*
Provided for:				
Research	$ 82,292	$ 21,627	$ 103,919	$ 98,351
Other sponsored programs	13,160	184	13,344	11,458
	$ 95,452	$ 21,811	$ 117,263	$ 109,809

	Direct	*Indirect*	**2015** *Total*	**2014** *Total*
Provided by:				
Federal agencies	$ 71,934	$ 19,351	$ 91,285	$ 85,499
State and local agencies	853	86	939	357
Private organizations	22,665	2,374	25,039	23,953
	$ 95,452	$ 21,811	$ 117,263	$ 109,809

Funding for federally sponsored research and other programs is received from the U.S. government, as well as from other universities and private organizations that subcontract sponsored research to the University. The University's primary sources of federal research support are the Department of Health and Human Services and the National Science Foundation.

The University also administers certain federally sponsored programs, primarily related to student financial aid, for which it recognizes neither revenues nor expenses. Receipts and disbursements for such programs totaled $12,880 for the year ended June 30, 2015, including $5,791 related to Reserve Officers Training Corps ("ROTC") scholarships. Receipts and disbursements for the year ended June 30, 2014 were $12,971, including $5,867 in ROTC scholarships.

(All amounts in thousands)

NOTE 18.
CONTINGENCIES AND COMMITMENTS

The University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that eventual liability, if any, will not have a material effect on the University's financial position.

All funds expended in conjunction with government grants and contracts are subject to audit by government agencies. In the opinion of management, any liability resulting from these audits will not have a material effect on the University's financial position.

The University leases space for academic and administrative purposes under noncancelable operating leases. Minimum future payments under these lease agreements are summarized by fiscal year as follows:

2016	$	1,767
2017		1,767
2018		1,767
2019		1,767
2020		1,797
2021 through 2080		47,202
	$	56,067

At June 30, 2015, the University also has contractual commitments of approximately $199,000 related to ongoing major construction projects. Estimated remaining expenditures on these projects, certain of which are likely to span multiple fiscal years, are approximately $550,000.